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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

APPLE INC., a California corporation,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD., a  
Korean corporation; SAMSUNG ELECTRONICS  
AMERICA, INC., a New York corporation; and  
SAMSUNG TELECOMMUNICATIONS  
AMERICA, LLC, a Delaware limited liability  
company,

Defendants.

Case No. 11-cv-01846-LHK (PSG)

**APPLE'S TRIAL BRIEF**

**Trial:** July 30, 2012  
**Time:** 9:00 a.m.  
**Place:** Courtroom 8, 4<sup>th</sup> Floor  
**Judge:** Hon. Lucy H. Koh

PUBLIC REDACTED VERSION

## TABLE OF CONTENTS

		<u>Page</u>
1		
2		
3	I. SAMSUNG HAS VIOLATED APPLE’S INTELLECTUAL PROPERTY RIGHTS .....	3
4	A. Samsung Infringes Apple’s Design Patents .....	3
5	1. Apple’s Elements of Proof .....	3
6	2. Design patent infringement depends on whether Samsung’s product designs appear substantially the same to an ordinary observer as Apple’s patented designs.....	4
7	3. A patented design is “functional” only if the design is “dictated by” function .....	6
8	4. Samsung must identify a primary obviousness reference that creates “basically the same” overall visual impression as the patented design .....	7
9	5. Some of Samsung’s defenses have already been rejected or excluded .....	8
10	B. Samsung Infringes Apple’s User-Interface Software Patents.....	9
11	C. Samsung Has Infringed and Diluted Apple’s iPad Trade Dress and Diluted Apple’s iPhone Trade Dress.....	10
12	1. Samsung is infringing Apple’s iPad trade dress .....	11
13	2. Samsung has diluted Apple’s iPad Trade Dress .....	13
14	3. Samsung has diluted Apple’s iPhone Trade Dress .....	14
15	4. Samsung’s trade dress defenses are based on legally incorrect premises .....	15
16	II. SAMSUNG’S TORTS RESULT FROM AN INTENTIONAL CORPORATE STRATEGY TO COPY APPLE AND ITS PRODUCTS .....	16
17	A. Samsung’s Own Documents Show that Samsung Copied Apple .....	16
18	B. Samsung’s Copying Establishes the Intent Required for Willful Infringement and for Inducement and Supports Apple’s Trade Dress Claims .....	18
19	III. SAMSUNG’S VIOLATION OF APPLE’S INTELLECTUAL PROPERTY RIGHTS GIVES RISE TO BILLIONS OF DOLLARS IN DAMAGES.....	20
20	A. Apple Is Entitled to Substantial Monetary Damages .....	20
21	1. Samsung’s Profits .....	21
22	2. Apple’s Lost Profits .....	22
23	3. Reasonable Royalty.....	24
24	B. Special Considerations Apply to Calculating Trade Dress Damages .....	25
25	1. Samsung Cannot Rebut the Presumption That All Profits Are Attributable to Samsung’s Infringing Activity .....	25
26	2. Actual Notice Is Not Required to Recover Damages for Violation of Unregistered Trade Dress Rights.....	26
27		
28		

**TABLE OF CONTENTS**  
(continued)

	<b><u>Page</u></b>
IV. APPLE WILL BE ENTITLED TO A PERMANENT INJUNCTION.....	26
V. SAMSUNG’S ASSERTED DECLARED-ESSENTIAL PATENTS ARE NOT INFRINGED AND INVALID.....	27
A. The ’941 Patent .....	28
1. Apple Does Not Infringe the ’941 Patent.....	29
2. The ’941 Patent Is Invalid.....	31
B. The ’516 Patent .....	31
1. Apple Does Not Infringe the ’516 Patent.....	32
2. The ’516 Patent Is Invalid.....	33
C. No Willful Infringement of the Declared-Essential Patents .....	33
VI. SAMSUNG’S RIGHTS IN THE ASSERTED DECLARED ESSENTIAL PATENTS HAVE BEEN EXHAUSTED BY INTEL’S AUTHORIZED SALE OF LICENSED BASEBAND CHIPS TO APPLE.....	34
VII. SAMSUNG’S STANDARD-SETTING DECEIT RESULTS IN WAIVER OF ITS RIGHTS TO ASSERT THE PATENTS AGAINST APPLE.....	36
VIII. SAMSUNG IS ESTOPPED FROM ASSERTING ITS PATENTS AGAINST APPLE BECAUSE OF ITS STANDARD-SETTING DECEIT .....	37
IX. SAMSUNG’S FEATURE PATENTS ARE NOT INFRINGED AND INVALID.....	37
A. The ’460 Patent .....	38
1. Apple Does Not Infringe The ’460 Patent .....	38
2. The ’460 Patent Is Invalid.....	41
B. The ’893 Patent .....	42
1. Apple Does Not Infringe The ’893 Patent .....	42
2. The ’893 Patent Is Invalid.....	43
C. The ’711 Patent .....	43
1. Apple Does Not Infringe The ’711 Patent .....	43
2. The ’711 Patent Is Invalid.....	44
D. No Willful Infringement of the Feature Patents.....	45
X. SAMSUNG’S STANDARD-SETTING DECEIT HAS RESULTED IN BREACH OF CONTRACT AND VIOLATIONS OF THE ANTITRUST AND UNFAIR COMPETITION LAWS .....	45
A. Samsung Has Breached Two Contractual Obligations Critically Important to the 3GPP Standard-Setting Process .....	45
1. Samsung Repeatedly Breached Its Duty to Timely Disclose IPR .....	46
2. Samsung Breached its Duty to Grant FRAND Licenses .....	47
B. Samsung Has Violated The Antitrust Laws By Its Standard-Setting Misconduct.....	49

**TABLE OF CONTENTS**  
**(continued)**

	<b><u>Page</u></b>
XI. SAMSUNG’S CLAIMED DAMAGES ARE EXCESSIVE AND UNSUPPORTED .....	50
A. To The Extent That Samsung Is Entitled To Any Remedy, its FRAND Damages Cannot Exceed \$0.0049 Per Unit for Each Infringed Patent.....	50
B. The Royalty Damages Sought by Samsung on The ’460, ’711, and ’893 Patents Are The Product of Flawed Methodology and Are Overstated.....	53
XII. APPLE’S SUMMARY EXHIBITS COMPLY WITH FEDERAL RULE OF EVIDENCE 1006.....	54

**TABLE OF AUTHORITIES**

	<b>Page(s)</b>
<b>CASES</b>	
<i>A.C. Aukerman Co. v. R.L. Chaides Constr. Co.</i> , 960 F.2d 1020 (Fed. Cir. 1992).....	37
<i>AMF, Inc. v. Sleekcraft Boats</i> , 599 F.2d 341 (9th Cir. 1979).....	11, 20
<i>Amgen Inc. v. F. Hoffman-La Roche Ltd.</i> , 580 F.3d 1340 (Fed. Cir. 2009).....	30, 40, 43, 44
<i>Amini Innovation Corp. v. Anthony California, Inc.</i> , 439 F.3d 1365 (Fed. Cir. 2006).....	7
<i>Apple Inc., v. Samsung Elecs. Co.</i> , 678 F.3d 1314 (Fed. Cir. 2012).....	<i>passim</i>
<i>Apple Inc. v. Motorola, Inc.</i> , No. 11-cv-08540, 2012 WL 1959560 (N.D. Ill. May 22, 2012) .....	54
<i>Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.</i> , 457 F.3d 1062 (9th Cir. 2006).....	15, 16
<i>Bard Peripheral Vascular v. W.L. Gore &amp; Assocs.</i> , No. 2010-1510, 2012 U.S. App. Lexis 13561 (Fed. Cir. Jun. 14, 2012) .....	19
<i>Bergstrom v. Sears, Roebuck &amp; Co.</i> , 496 F. Supp. 476 (D. Minn. 1980) .....	21
<i>Braun, Inc. v. Dynamics Corp.</i> , 975 F.2d 815 (Fed. Cir. 1990).....	6
<i>Cel-Tech Communications v. LA Cellular</i> , 973 P.2d 527 (Cal. 1999) .....	49
<i>Clamp Mfg. Co. v. Enco Mfg. Co.</i> , 870 F.2d 512 (9th Cir. 1989).....	12
<i>Clicks Billiards, Inc. v. Sixshooters, Inc.</i> , 251 F.3d 1252 (9th Cir. 2001).....	12, 13
<i>Cornell Univ. v. Hewlett-Packard Co.</i> , 609 F. Supp. 2d. 279 (N.D.N.Y. 2009) .....	51

1	<i>Crocs, Inc. v. International Trade Com'n,</i>	
2	598 F.3d 1294 (Fed. Cir. 2010).....	4
3	<i>Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.,</i>	
4	567 F.3d 1314 (Fed. Cir. 2009).....	24
5	<i>Dwyer Instruments, Inc. v. Sensicon, Inc.,</i>	
6	No. 09-CV-10-TLS,	
7	2012 U.S. Dist. LEXIS 78491 (N.D. Ind. June 5, 2012) .....	26
8	<i>eBay Inc. v. MercExchange, L.L.C.,</i>	
9	547 U.S. 388 (2006).....	27, 52, 53
10	<i>Egyptian Goddess, Inc. v. Swisa, Inc.,</i>	
11	543 F.3d 665 (Fed. Cir. 2008).....	3
12	<i>Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.,</i>	
13	304 F.3d 1289 (Fed. Cir. 2002).....	30
14	<i>Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.,</i>	
15	535 U.S. 722 (2002).....	41, 43, 44
16	<i>First Brands Corp. v. Fred Meyer, Inc.,</i>	
17	809 F.2d 1378 (9th Cir. 1983).....	<i>passim</i>
18	<i>Gales v. Winco Foods,</i>	
19	No. C 09-058913 CRB,	
20	2011 U.S. Dist. LEXIS 96125 (N.D. Cal. Aug. 26, 2011).....	55
21	<i>Global-Tech Appliances, Inc., v. SEB S.A.,</i>	
22	131 S. Ct. 2060 (2011) .....	20
23	<i>Gorham Co. v. White,</i>	
24	81 U.S. 511 (1872).....	5, 6
25	<i>In re Seagate Tech. LLC,</i>	
26	497 F.3d 1360 (Fed. Cir. 2007).....	19, 33, 45
27	<i>Intel Corp. v. Terabyte Int'l, Inc.,</i>	
28	6 F.3d 614 (9th Cir. 1993).....	22
	<i>Kamar Int'l, Inc. v. Russ Berrie &amp; Co., Inc.,</i>	
	752 F.2d 1326 (9th Cir. 1984).....	21, 25
	<i>Keith v. Volpe,</i>	
	618 F. Supp. 1132 (C.D. Cal. 1985).....	55
	<i>L.A. Gear, Inc. v. Thom McAn Shoes Co.,</i>	
	988 F.2d 1117 (Fed. Cir. 1993).....	5, 6

1	<i>Lindy Pen Co. v. Bic Pen Corp.</i> ,	
2	982 F.2d 1400 (9th Cir. 1993).....	20
3	<i>Loral Fairchild Corp. v. Sony Corp.</i> ,	
4	181 F.3d 1313 (Fed. Cir. 1999).....	40
5	<i>Lucent Techs., Inc. v. Gateway, Inc.</i> ,	
6	580 F.3d 1301 (Fed. Cir. 2009).....	51
7	<i>Mantech Envtl. Corp. v. Hudson Envtl. Servs., Inc.</i> ,	
8	152 F.3d 1368 (Fed. Cir. 1998).....	40
9	<i>Mattel, Inc. v. MCA Records, Inc.</i> ,	
10	296 F.3d 894 (9th Cir. 2002).....	13
11	<i>Mehus v. Emporia State Univ.</i> ,	
12	222 F.R.D. 455 (D. Kan. 2004).....	55
13	<i>MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.</i> ,	
14	420 F.3d 1369 (Fed. Cir. 2005).....	35
15	<i>Micro Chem. v. Lextron, Inc.</i> ,	
16	318 F.3d 1119 (Fed. Cir. 2003).....	22
17	<i>Miracle Blade, LLC v. Ebrands Commerce Group, LLC</i> ,	
18	207 F. Supp. 2d 1136 (D. Nev. 2002).....	55
19	<i>Nike, Inc. v. Wal-Mart</i> ,	
20	138 F.3d 1437 (Fed. Cir. 1998).....	21
21	<i>Nintendo of Am. v. Dragon Pac. Int'l</i> ,	
22	40 F.3d 1007 (9th Cir. 1994).....	25
23	<i>North American Philips Corp. v. American Vending Sales, Inc.</i> ,	
24	35 F.3d 1576 (Fed. Cir. 1994).....	35
25	<i>Phoenix v. Com/Systems, Inc.</i> ,	
26	706 F.2d 1033 (9th Cir. 1983).....	56
27	<i>Qualcomm Inc. v. Broadcom Corp.</i> ,	
28	548 F.3d 1004 (Fed. Cir. 2008).....	36, 37
	<i>Quanta Computer, Inc. v. LG Electronics, Inc.</i> ,	
	553 U.S. 617 (2008).....	34
	<i>Read v. Portec</i> ,	
	970 F. 2d 816, 827 (Fed. Cir. 1992).....	19
	<i>Ring Plus, Inc. v. Cingular Wireless Corp.</i> ,	
	614 F.3d 1354 (Fed. Cir. 2010).....	40

1	<i>Rodan &amp; Fields, LLC v. Estee Lauder Cos.,</i>	
2	No. 10-cv-02451-LHK,	
3	2010 U.S. Dist. LEXIS 109573 (N.D. Cal. Oct. 5, 2010).....	14
4	<i>Rolex Watch, U.S.A., Inc., v. Michel Co.,</i>	
5	179 F.3d 704 (9th Cir. 1999).....	25
6	<i>Sands, Taylor &amp; Wood v. The Quaker Oats Co.,</i>	
7	978 F.2d 947 (7th Cir. 1992).....	25
8	<i>SEB S.A. v. Montgomery Ward &amp; Co., Inc.,</i>	
9	594 F.3d 1360 (2010).....	19
10	<i>Thorn EMI N.A. v. Hyundai Electronics Industries,</i>	
11	No. 94-332 RRM,	
12	1996 U.S. Dist. LEXIS 21170 (D. Del. July 12, 1996).....	34, 35
13	<i>Tulip Computers Int'l v. Dell,</i>	
14	262 F. Supp. 2d 358 (D. Del. 2003).....	35
15	<i>United States v. Cuddy,</i>	
16	147 F.3d 1111 (9th Cir. 1998).....	8
17	<i>United States v. Francis,</i>	
18	131 F.3d 1452 (11th Cir. 1997).....	55
19	<i>United States v. Gardner,</i>	
20	611 F.2d 770 (9th Cir. 1980).....	55
21	<i>United States v. Morin,</i>	
22	627 F.3d 985 (5th Cir. 2010).....	55
23	<i>United States v. Rizk,</i>	
24	660 F.3d 1125 (9th Cir. 2011).....	55
25	<i>United States v. Shirley,</i>	
26	884 F.2d 1130 (9th Cir. 1989).....	55
27	<i>Warner-Jenkinson Co. v. Hilton-Davis Chem. Co.,</i>	
28	520 U.S. 17 (1997).....	31
	<b>STATUTES</b>	
	15 U.S.C. 1111 (2006) .....	26



1	15 U.S.C.	
2	§ 1115(a) .....	14
3	§§ 1115(a), 1125(a)(3) .....	14
4	§ 1116 .....	26
5	§ 1117 .....	21
6	§ 1117(a) (2006) .....	25
7	§ 1125(a)(1)(A) .....	5, 11
8	§ 1125(c) .....	13
9	§ 1125(c)(2) .....	13
10	§ 1125(c)(2)(B) .....	13, 20
11	35 U.S.C.	
12	§ 283 .....	26
13	§ 284 (2006) .....	22
14	§ 289 (2006) .....	5, 21, 22
15	Cal. Bus. & Prof. Code § 17200 et seq. ....	49
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
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## INTRODUCTION

Samsung is on trial because it made a deliberate decision to copy Apple's iPhone and iPad. Apple's innovations in product design and user interface technology resulted in strong intellectual property rights that Samsung has infringed. Try as it might, Samsung cannot deflect attention from its own copying by the patents it has asserted against Apple. To the contrary, the trial will expose how Samsung deceived the international body responsible for creating the UMTS wireless standards to slip its patents into the standard and illegally monopolize technology markets.

These pictures, by now familiar to the Court, remain the basic story of our case:



<p>Samsung Touchscreen Tablet <b>BEFORE</b> iPad</p>	<p>Apple's iPad 2 (announced March 2011)</p>	<p>Samsung Touchscreen Tablet <b>AFTER</b> iPad 2</p>
		

Samsung once sold a range of phones and a tablet of its own design. Now Samsung's mobile devices not only look like Apple's iPhone and iPad, they use Apple's patented software features to interact with the user.

The intellectual property that Apple has asserted against Samsung goes to the heart of the extraordinary success of the iPhone and the iPad. Samsung's asserted patents, on the other hand, claim minor features, which are not practiced by the accused products and, in any event, were invented by others before Samsung. Furthermore, the two asserted declared-essential patents are unenforceable because Samsung unquestionably violated the Intellectual Property Rights (IPR) Policy of the European Telecommunications Standards Institute (ETSI) UMTS standard by failing timely to disclose that it had filed for patents on the very proposals that it was pushing ETSI to adopt. Samsung also exhausted its rights with respect to these patents when it licensed Intel to sell the chipsets that Samsung now accuses of infringement.

This will brief summarizes the elements of Apple's proof for its claims and counterclaims, and explains why Samsung's attempts to avoid the consequences of its decision to copy Apple must fail. It also explains why Apple does not infringe any of Samsung's asserted patents and the reasons they are invalid and, in the case of the declared-essential patents, unenforceable. Along

the way, we briefly address legal issues the Court may need to resolve, while pointing out how decisions this Court and the Federal Circuit have already made have simplified that task.

# **I. SAMSUNG HAS VIOLATED APPLE'S INTELLECTUAL PROPERTY RIGHTS**

Samsung has violated Apple's rights in (A) design patents that protect the iPhone's and iPad's industrial design and the iPhone's Graphical User Interface (GUI) design; (B) utility patents that protect software features that make the iPhone and iPad easy and fun to use; and (C) trade dress rights that protect the iPhone's and iPad's distinctive appearance, which consumers closely associate with Apple.

## **A. Samsung Infringes Apple's Design Patents**

### **1. Apple's Elements of Proof**

Samsung's products infringe Apple's D'677 and D'087 iPhone design patents; D'889 tablet design patent; and D'305 iPhone GUI design patent. Samsung's product designs appear substantially the same as Apple's designs to an ordinary observer familiar with the prior art, which is the test for design patent infringement. *See Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 670, 678 (Fed. Cir. 2008) (en banc). This Court previously found likely infringement of the D'677 and D'889 patents in its preliminary injunction ruling. (Dkt. No. 452 at 24-27.)

At trial, Apple will present the testimony of Peter Bressler, a former President of the Industrial Designers Society of America (IDSA), who in 2010 received the profession's highest honor, an IDSA Personal Recognition Award. Mr. Bressler will compare Samsung's product designs to Apple's patented designs from the perspective of an ordinary observer and explain why he believes they infringe. Similarly, Susan Kare, a graphic designer with 30 years of experience designing user interface graphics and icons, will analyze Samsung's GUI designs. In addition to side-by-side comparisons, Apple will present evidence that many people — industry observers, consumers, [REDACTED] — considered Samsung's products to look very similar to Apple's products that embody the patented designs.

1 Samsung contests infringement and argues that Apple's patents are not valid. But  
 2 Samsung builds its case around "experts" such as Robert Anders and Itay Sherman. Mr. Anders  
 3 has made his living since the 1990s as a professional witness. Mr. Sherman has worked in the  
 4 industry but candidly admits he is "not . . . an industrial design expert." (Dkt. No. 1059-1 at 1.)

5 Apple's patents enjoy a presumption of validity, and Samsung will be unable to rebut that  
 6 presumption. This Court and the Federal Circuit have already held that Samsung failed to present  
 7 a substantial validity challenge to the D'677, D'087, and D'889 patents in opposing Apple's  
 8 preliminary injunction. (Dkt No. 452 at 23-24; *Apple Inc., v. Samsung Elecs. Co.*, 678 F.3d 1314,  
 9 1326-27, 1330-32 (Fed. Cir. 2012).) At trial, Mr. Bressler, Dr. Kare, and other witnesses will  
 10 testify that Apple's patented designs differed significantly from the prior art and were not dictated  
 11 by function. Apple itself considered numerous alternatives, and others in the industry (including  
 12 Samsung) marketed a range of different designs. The initial skepticism that met Apple's  
 13 announcement of the iPhone and of the iPad, followed by the extraordinary commercial success  
 14 of these products, is evidence that the designs were not obvious. Indeed, such secondary  
 15 considerations as the commercial success of a product embodying the patented design "can be the  
 16 most probative evidence of nonobviousness in the record." *Crocs, Inc. v. International Trade*  
 17 *Com'n*, 598 F.3d 1294, 1310 (Fed. Cir. 2010) (internal quotation omitted). This conclusion is  
 18 strongly reinforced by Samsung's deliberate copying.

19 Samsung cannot change the central fact that its products are strikingly similar to Apple's  
 20 patented designs. Nor can it change the novelty and extraordinary success of Apple's designs.  
 21 Samsung will instead attempt to confuse the issues with a hodgepodge of defenses based on  
 22 incorrect legal standards. Samsung's defenses will fail.

23 **2. Design patent infringement depends on whether Samsung's product**  
 24 **designs appear substantially the same to an ordinary observer as**  
 25 **Apple's patented designs.**

26 Samsung attempts to avoid infringement by importing a trademark-like concept of  
 27 consumer "deception" into design patent law. Samsung contends Apple must show not only that  
 28 Samsung's products "appear substantially the same" to an ordinary observer as the claimed  
 design, but also that purchasers are "deceived" into buying Samsung's products thinking they are

1 Apple's. (Dkt. No. 1232 at 163.) This Court applied the correct test by finding likely  
 2 infringement based on substantial similarity, without any evidence of deception. The jury should  
 3 be instructed to apply the same test.

4 Samsung's insistence on consumer "deception" as an essential element is contrary to the  
 5 Patent Act and controlling precedent. Unlike the Lanham Act, the design patent provisions do  
 6 not refer to "deception" or "confusion." *Compare* 15 U.S.C. § 1125(a)(1)(A) (Lanham Act) *with*  
 7 35 U.S.C. § 289 (liability for applying to a product "the patented design, or any colorable  
 8 imitation thereof"). The Supreme Court in *Gorham Co. v. White*, 81 U.S. 511 (1872), referred to  
 9 deception, but only *after* stating that the "true test of identity" is "sameness of appearance"; that  
 10 "slight variance in configuration" does not destroy "substantial identity"; and that the key issue is  
 11 whether, "in the eye of an ordinary observer," the accused design is "substantially the same" as  
 12 the patented design. *Id.* at 526-28. Deception is a result that may follow if the two designs  
 13 appear substantially the same, but the Court did not hold that designs are substantially the same  
 14 *only if* "deception" is shown. This is confirmed by the Supreme Court's application of its rule,  
 15 which relied on a detailed comparison between the patented design and the defendant's design to  
 16 conclude there was "no substantial difference." *Id.* at 528-29.

17 Consistent with this reading of *Gorham*, this Court found in its preliminary injunction  
 18 order that Samsung is likely infringing the D'889 and D'677 patents based on a "side-by-side  
 19 comparison" of the Samsung products with the patented designs, without any evidence of actual  
 20 or likely deception. (Dkt. No. 452 at 25-27, 45-48.) On appeal, Samsung emphasized that  
 21 "Apple has not identified a single example of customer confusion." (*Apple Inc. v. Samsung Elecs.*  
 22 *Co., Ltd.*, Federal Circuit No. 2012-1105, Brief of Defendants-Appellees, dated January 9, 2012,  
 23 at 63.) The Federal Circuit nonetheless found that Apple was likely to prevail on the merits of the  
 24 D'889 patent. *Apple*, 678 F.3d at 1328, 1333.

25 Other Federal Circuit precedent confirms that design patent infringement does not require  
 26 consumer deception. In *L.A. Gear, Inc. v. Thom McAn Shoes Co.*, 988 F.2d 1117, 1120-21 (Fed.  
 27 Cir. 1993), the district court found the defendant liable for both design patent infringement and  
 28 unfair competition based on trade dress infringement. On appeal, the Federal Circuit reversed the

1 finding of unfair competition because it found that purchasers were unlikely to be deceived into  
 2 buying the accused product thinking it was the plaintiff's product. *Id.* at 1134. The Federal  
 3 Circuit nonetheless found design patent infringement, emphasizing that "[d]esign patent  
 4 infringement relates solely to the patented design, and does not require proof of unfair  
 5 competition in the marketplace." *Id.* at 1126.

6 Similarly, in *Braun, Inc. v. Dynamics Corp.*, 975 F.2d 815, 821 (Fed. Cir. 1990), the  
 7 defendant argued that "a trier of fact may not as a matter of law find design patent infringement,"  
 8 unless there is empirical "evidence that the blender's design would deceive ordinary observers."  
 9 The Federal Circuit held that the defendant waived this argument by failing to present it to the  
 10 district court but went on to observe that "[n]othing in *Gorham* suggests that, in finding design  
 11 patent infringement, a trier of fact may not as a matter of law rely exclusively or primarily on a  
 12 visual comparison of the patented design, as well as the device that embodies the design, and the  
 13 accused device's design." *Id.*

### 14 **3. A patented design is "functional" only if the design is "dictated by"** 15 **function.**

16 Relying on Federal Circuit authority, this Court has held that a design is not "functional"  
 17 merely because it has "a utilitarian purpose" or "enhance[s] the user experience;" rather, the  
 18 design must be "dictated by function." (Dkt. No. 452 at 13, citing *L.A. Gear*, 988 F.2d at 1123.)  
 19 This Court also held that the relevant inquiry for invalidity is not "'the utility of each of the  
 20 various elements that comprise the design,'" but the functionality of the patented design "as a  
 21 whole." (*Id.*, quoting *L.A. Gear*, 988 F.2d at 1123.) Based on these standards, the Court rejected  
 22 Samsung's arguments that the iPhone and tablet design patents are invalid as "functional," and  
 23 that almost every element of Apple's designs should be ignored as "functional" in deciding  
 24 whether Samsung's products appear substantially the same as Apple's designs. (*Id.* at 11-15, 39-  
 25 40.)

26 Samsung ignores these rulings. Samsung's proposed jury instructions do not even  
 27 mention the "dictated by function" test. (Dkt. No. 1232 at 178, 204.) Instead, Samsung dissects  
 28 Apple's patented designs into numerous elements and then contends that each element is



“functional” because it “affects the cost or quality of the article.” (Dkt. No. 1189 at 21; Dkt. No. 1232 at 178.) Affecting “cost or quality” is a trademark concept that does not belong in design patent law. Samsung cites a Federal Circuit case that mentioned “cost or quality,” but that case did not apply “cost or quality” in deciding design patent functionality, and cited a Supreme Court case that used this test in the context of *trade dress* functionality. *Amini Innovation Corp. v. Anthony California, Inc.*, 439 F.3d 1365, 1371 (Fed. Cir. 2006), citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 (1987). The Federal Circuit emphasized that “discounting of functional elements must not convert the overall infringement test to an element-by-element comparison,” and reversed the district court’s finding of no design patent infringement on that ground. *Id.* at 1372.

**4. Samsung must identify a primary obviousness reference that creates “basically the same” overall visual impression as the patented design**

This Court and the Federal Circuit have held that design patent obviousness requires Samsung to identify (1) a primary prior art reference whose overall visual impression is “basically the same” as the patented design; and (2) a secondary prior art reference whose overall appearance is so related to the primary reference that the appearance of certain ornamental features in one would suggest the application of those features in the other. *Apple*, 678 F.3d at 1329-30. (See also Dkt. No. 1170 at 7-8.) Despite these rulings, Samsung has proposed a jury instruction on obviousness that *does not even mention* the controlling design patent test, and relies instead on rules that apply to utility patents. (Dkt. No. 1232 at 185.) Samsung has proposed an “alternative” instruction in case its primary instruction is rejected, but that instruction still deviates from the controlling test in several respects, including by referring to “deceptive similarity.” (*Id.* at 187.)

Samsung experts Itay Sherman and Sam Lucente have relied on numerous prior art references to support their obviousness opinions while not identifying any reference that they contend creates “basically the same” overall visual impression as the patented designs. At trial, Samsung’s experts should not be allowed to opine that a design is obvious without applying the correct legal test.



1                   **5. Some of Samsung’s defenses have already been rejected or excluded**

2                   Prior rulings of the Federal Circuit, this Court, and Judge Grewal preclude Samsung from  
3                   relying on several non-infringement and invalidity theories.

4                   As a result of the Federal Circuit’s decision on Apple’s motion for a preliminary  
5                   injunction, Samsung should be barred from relying on Fidler as a primary obviousness reference,  
6                   the Compaq TC1000 as a secondary reference to Fidler, and JP’638 for anticipation of the D’087  
7                   patent. The Federal Circuit held that Fidler cannot qualify as a primary reference because it does  
8                   not create “basically the same” visual impression as the D’889 design. *Apple*, 678 F.3d at 1330-  
9                   32. It also held that the Compaq TC1000 “is so different in visual appearance from the Fidler  
10                  reference” that it cannot qualify as a “secondary reference” to “bridge the gap between Fidler and  
11                  the D’889 design.” *Id.* at 1331. It further held that the JP’638 cannot qualify as an anticipatory  
12                  reference for the D’087 patent because, when the claimed side view is taken into account, “the  
13                  differences between the arched, convex front of the ’638 reference distinguish it from the  
14                  perfectly flat front face of the D’087 patent.” *Id.* The Federal Circuit based its rulings on the  
15                  appearances of the patented designs and Samsung’s references, which new evidence cannot  
16                  change. Thus, these decisions bind Samsung at trial as law of the case. *United States v. Cuddy*,  
17                  147 F.3d 1111, 1114 (9<sup>th</sup> Cir. 1998).<sup>1</sup>

18                  This Court has also properly narrowed Samsung’s case by granting (except as to the LG  
19                  Prada) Apple’s Motions in Limine #2 and #3 to exclude references that are not prior art. (Dkt.  
20                  No. 1267 at 3.) In addition, the Court held in its summary judgment order that Apple’s January  
21                  2007 iPhone image is not prior art against Apple’s GUI design patent because it has the same  
22                  inventors and was not publicly displayed more than one year before the D’305 priority date.  
23                  (Dkt. No. 1158 at 38-39.) And Judge Grewal has stricken prior art references and invalidity and  
24                  non-infringement contentions that Samsung failed to disclose in timely responses to Apple’s  
25                  interrogatories. (Dkt. No. 1144 at 3-5.) Samsung’s failure timely to disclose these contentions

26                  

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27                  <sup>1</sup> The Federal Circuit noted that its ruling that Samsung’s “alternative prior art references” do not  
28                  invalidate the D’889 patent was limited to “this preliminary stage of the litigation,” but gave no  
                    similar caveat concerning the Fidler, Compaq TC1000, and JP’638 references. 678 F.3d at 1332  
                    n.6.

1 bars Samsung from presenting them at trial in any manner, whether through experts or fact  
2 witnesses of either side.

3 **B. Samsung Infringes Apple's User-Interface Software Patents**

4 Apple will prove at trial that Samsung is infringing three patents directed to innovative  
5 features of its multi-touch user interface: the '381 "rubberbanding" [REDACTED]  
6 [REDACTED] patent, the '163 "tap-to-zoom" patent, and the '915 "scroll vs. gesture"  
7 patent. Infringement is clear from using the Samsung products and reviewing the source code, as  
8 Apple's experts Ravin Balakrishnan and Karan Singh will explain. Apple will also present  
9 evidence that Samsung deliberately copied Apple's features.

10 The Court's claim construction rulings leave Samsung with only a few scattered non-  
11 infringement arguments that plainly lack merit. Samsung's own expert conceded that Samsung  
12 infringes the '163 patent. Samsung's original non-infringement defense to the '915 patent cannot  
13 survive the Court's construction of "invokes" in rejecting Samsung's motion for summary  
14 judgment. (Dkt. No. 1158 at 18-20.) Samsung has an alternative argument that a few of its  
15 products do not infringe the '915 patent because they can be made to perform what Samsung's  
16 expert calls "two-finger scrolling" (*i.e.*, a combination of translating and minimal or  
17 imperceptible zooming). But Samsung's argument fails because it adds a new limitation that is  
18 not part of the claim, namely that scrolling and scaling are mutually exclusive.

19 As to the '381 patent, this Court has already found likely infringement, rejecting the claim  
20 constructions that were the basis for Samsung's non-infringement defenses. (Dkt. No. 452 at  
21 52-56; Dkt. No. 1266.) Samsung apparently continues to argue that it does not infringe because  
22 "first direction" requires the human finger to move with single-pixel precision, even though the  
23 Court has rejected that argument. (*See* Dkt. No. 452 at 55 ("because the term 'first direction'  
24 does not require linear movement, Samsung's devices do infringe").) Samsung may also assert  
25 that some of its products do not infringe the '381 patent because they can be manipulated to avoid  
26 rubberbanding, by making slow and minimal finger movements. But the Accused Products do  
27 "rubberband" in normal operation and thus necessarily include the instructions for performing the  
28 claimed method, which is all that asserted claim 19 requires.

1 Lacking any plausible non-infringement argument, Samsung has no choice but to argue  
 2 invalidity. Samsung cannot overcome the presumption of validity with clear and convincing  
 3 evidence. Samsung's prior art references fail to disclose key limitations of Apple's inventions, as  
 4 Apple's experts will explain. Samsung's deliberate copying and the iPhone's and iPad's  
 5 commercial success reinforce the conclusion that Apple's inventions were far from obvious.  
 6 Moreover, Judge Grewal struck prior art references to the '915 patent cited by Samsung's expert  
 7 Stephen Gray, as well as references cited by Andries Van Dam (except as technical background  
 8 to the '381 patent). (Dkt. No. 1144 at 3, 5.) Samsung cannot rely on these references as prior art.

9 Finally, Judge Grewal's rulings preclude Samsung from presenting evidence of any efforts  
 10 to design around Apple's software patents. On May 4, 2012, Judge Grewal ruled that as a  
 11 sanction for Samsung's unjustified failure to produce "design-around" source code for Samsung's  
 12 products until long after the Court-ordered deadline, Samsung "shall be precluded from offering  
 13 any evidence of its design-around efforts for the '381 . . . and '163 patents. . . ." (Dkt. No. 898 at  
 14 9.) In response to Samsung's motion for "clarification," Judge Grewal confirmed that his order  
 15 meant what it said: during the jury trial, Samsung could not offer "any evidence of its design-  
 16 arounds," meaning "no source code evidence, no non-source code evidence, no evidence of any  
 17 kind, whether for liability or any other purpose." (Dkt. No. 1106 at 3-4.) Samsung did not file a  
 18 timely objection to Judge Grewal's June 19 Order. (Dkt. 1274-2, at 3.)

19 **C. Samsung Has Infringed and Diluted Apple's iPad Trade Dress and Diluted**  
 20 **Apple's iPhone Trade Dress**

21 Samsung has both infringed and diluted Apple's distinctive iPad trade dress and has  
 22 diluted Apple's famous iPhone trade dress. Apple's trade dress is protected by trade dress  
 23 Registration No. 3,470,983, Apple's unregistered iPhone 3G trade dress, its unregistered  
 24 combination iPhone trade dress, and its unregistered iPad/iPad 2 trade dress. (*See* Exhibit A  
 25 hereto.) Samsung's sale of products that are virtually indistinguishable from the iconic iPhone  
 26 and iPad violates Apple's trade dress rights.

27 At trial, Samsung will be unable to overcome the presumption that Apple's registered  
 28 trade dress is valid and protectable. Apple will prove that Apple's unregistered trade dress is

1 protectable (*i.e.*, distinctive and non-functional), and that Samsung has diluted and infringed  
 2 Apple's trade dress.

3 **1. Samsung is infringing Apple's iPad trade dress**

4 There is no question that Samsung's sale of its accused tablets is likely to cause confusion  
 5 about the source, sponsorship, or approval of those tablets, which is the Lanham Act test for  
 6 infringement. 15 U.S.C. § 1125(a)(1)(A). Indeed, as the Court noted, Samsung's Galaxy Tab  
 7 10.1 is "virtually indistinguishable" from the iPad 2. (Dkt. No. 452 at 47.)

8 Apple will show likely confusion under the factors set forth in *AMF, Inc. v. Sleekcraft*  
 9 *Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979), which include (1) strength of the trade dress;  
 10 (2) similarity of the trade dress; (3) evidence of actual confusion; (4) marketing channels used;  
 11 and (5) defendant's intent in selecting the trade dress. Likely confusion can occur before a  
 12 purchase, at the moment of the purchase ("point of sale"), or "post-sale," such as when a  
 13 consumer sees somebody using a Galaxy Tab 10.1 in a café and wrongly assumes that person is  
 14 using an iPad. Apple relies on both point-of-sale and post-sale confusion.

15 Apple will present overwhelming evidence of likely confusion under the *Sleekcraft* factors.  
 16 This evidence will show that Apple's iPad trade dress is strong and closely associated with Apple.  
 17 Philip Schiller, Apple's Senior Vice President of Worldwide Marketing, will testify regarding  
 18 Apple's widespread advertising campaign for the iPad that specifically emphasizes its distinctive  
 19 appearance; the extensive and highly favorable coverage by the media and industry analysts; the  
 20 iPad's outstanding commercial success; and Apple's and Samsung's head-to-head competition.  
 21 Apple will also present evidence of a survey conducted by Hal Poret, which confirmed that  
 22 consumers associate the iPad trade dress with Apple. Russell Winer, a highly experienced  
 23 marketing expert, will testify that Apple's trade dress is strong, and that Samsung's competing  
 24 products are sold in similar marketing channels to Apple's.

25 Apple will also present evidence that Samsung's accused tablets are very similar to the  
 26 iPad trade dress, and have caused actual confusion. The similarity is clear from a direct  
 27 comparison between Samsung's tablets and the iPad trade dress. It is also shown by widespread  
 28 comments in the media and by others struck by the similarity. Apple will present evidence of

1 actual confusion — consumers who mistook Samsung’s tablets for iPads — even though such  
2 evidence is not required to prevail on a trade dress infringement claim. This evidence includes  
3 Samsung documents that show [REDACTED]  
4 [REDACTED]. (PX59 at 19.) It also includes a  
5 survey conducted by Kent Van Liere, which concluded that consumers are likely to associate  
6 Samsung’s Galaxy Tab 10.1 with Apple in a post-sale environment.

7 Apple will also show that Samsung deliberately copied Apple’s iPad trade dress, and even  
8 redesigned its Galaxy Tab 10.1 to make it look more similar to the iPad 2. This evidence includes  
9 Samsung’s own documents and admissions.

10 In addition to showing likely confusion, Apple will show that Apple’s iPad trade dress is  
11 distinctive and non-functional, and thus protectable. Trade dress is distinctive when consumers  
12 identify the trade dress with a particular source. *Clicks Billiards, Inc. v. Sixshooters, Inc.*,  
13 251 F.3d 1252, 1261 (9th Cir. 2001). Factors relevant to distinctiveness include (1) the length  
14 and nature of Apple’s use of the trade dress; (2) the nature and extent of Apple’s advertising and  
15 promotion of its trade dress; (3) efforts made to promote a conscious connection between Apple’s  
16 trade dress and Apple’s products; (4) association of Apple’s trade dress with Apple by purchasers  
17 of Apple products using the trade dress; (5) successful use of the trade dress to increase Apple’s  
18 sales; (6) whether Apple authorized anyone else to use its trade dress; and (7) whether Samsung  
19 intentionally copied Apple’s trade dress. *Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512, 517  
20 (9th Cir. 1989). The evidence from Mr. Schiller and others that shows Apple’s trade dress is  
21 strong also establishes the requisite distinctiveness.

22 As for functionality, a trade dress is not functional unless, taken as a whole, the trade dress  
23 is essential to the use or purpose of the device or the trade dress affects its cost or quality. *Clicks*  
24 *Billiards*, 251 F.3d at 1258. Factors relevant to the functionality of a trade dress include whether  
25 Apple’s advertising touted the utilitarian advantage of its trade dress; whether the trade dress  
26 results from a simple or inexpensive method of manufacture; whether the trade dress yields a  
27 utilitarian advantage; and whether alternative designs are available. (Dkt. No. 1159 at 5.) Apple  
28 will show that its iPad trade dress is not functional under these factors, based on the testimony of

1 Apple employees and experts, as well as documentary evidence, including the evidence that this  
 2 Court cited in denying Samsung's motion for summary judgment. (*Id.* at 5-7.) Chris Stringer, a  
 3 Senior Director of Industrial Design at Apple, will testify that aesthetic rather than functional  
 4 considerations drove the design of the iPad and iPad 2. Design expert Peter Bressler will testify  
 5 that the design of the iPad and iPad 2 is not essential to the use or purpose of these devices.

## 6 **2. Samsung has diluted Apple's iPad Trade Dress**

7 Unlike trade dress infringement, dilution does not require a showing of likely confusion;  
 8 rather, "dilution" means a lessening of the capacity of a famous trade dress to identify and  
 9 distinguish goods. (*See* Dkt. No. 1232 at 254, 256 (similar definitions in Apple's and Samsung's  
 10 jury instructions).) Apple relies, in particular, on "dilution by blurring," meaning that the accused  
 11 tablets have impaired the distinctiveness of Apple's famous iPad trade dress through an  
 12 association arising from the similarity between the appearance of the two products. *See* 15 U.S.C.  
 13 § 1125(c)(2)(B). Thus, evidence that Samsung's sale of similar-looking tablets makes the  
 14 asserted iPad trade dresses seem less distinctive and less closely associated with Apple shows  
 15 dilution by blurring, even if consumers understand that Samsung's tablets are made by Samsung.  
 16 *See Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 905 (9th Cir. 2002) ("Dilution . . . does not  
 17 require a showing of consumer confusion").

18 Trade dress dilution requires a showing that the trade dress was famous when the  
 19 defendant began offering the products accused of diluting the trade dress. *See* 15 U.S.C.  
 20 § 1125(c) (defining the elements of a dilution claim).<sup>2</sup> Apple must show that the iPad trade dress  
 21 was "famous" by June 8, 2011, which is when Samsung first sold a product (the Galaxy Tab 10.1)  
 22 accused of diluting the iPad trade dress.<sup>3</sup> (*See* Dkt. No. 1232 at 264-65 (jury instructions of  
 23 Apple and Samsung agreeing on this date).) Trade dress is famous if it is widely recognized by  
 24 the general consuming public as identifying the source of the goods. 15 U.S.C. § 1125(c). Apple

25 \_\_\_\_\_  
 26 <sup>2</sup> 15 U.S.C. § 1125(c)(2) refers to dilution of trademarks, but § 1125(c)(4) expressly extends  
 dilution to cover trade dress as well.

27 <sup>3</sup> On July 3, 2012, the parties filed a "Joint Case Narrowing Statement" that dismissed any trade  
 28 dress claims against Samsung's original Galaxy Tab 7.0. (Dkt. No. 1178 at 2.) Thus, the earliest  
 Samsung tablet at issue is the Tab 10.1, which Samsung released on June 8, 2011.

1 will show fame through evidence of extensive advertising, industry praise, sales, and widespread  
2 recognition of the iPad trade dress.

3 Apple will also present evidence that Samsung's sale of look-alike tablets has diluted the  
4 distinctiveness of Apple's iPad trade dress. The evidence largely overlaps with the evidence of  
5 trade dress infringement discussed above. For example, although evidence of likely and actual  
6 confusion between the Galaxy Tab 10.1 and the iPad is not required for trade dress dilution, it  
7 strongly supports this claim. Also, marketing expert Russell Winer will explain how Samsung's  
8 sales of look-alike products impairs the distinctiveness of Apple's trade dress.

### 9 **3. Samsung has diluted Apple's iPhone Trade Dress**

10 Samsung has diluted Apple's registered and unregistered iPhone trade dress, which is  
11 valid, protectable, and famous. Registered trade dress is presumed to be valid and protectable, so  
12 Samsung has the burden of proving that Apple's registered iPhone trade dress lacks  
13 distinctiveness and is functional. 15 U.S.C. §§ 1115(a), 1125(a)(3); *Rodan & Fields, LLC v.*  
14 *Estee Lauder Cos.*, No. 10-cv-02451-LHK, 2010 U.S. Dist. LEXIS 109573, at \*15 (N.D. Cal.  
15 Oct. 5, 2010) (registration of trade dress entitles owner to presumption of protectable rights under  
16 15 U.S.C. § 1115(a), but plaintiff must show inherent distinctiveness or secondary meaning when  
17 trade dress is not registered). Samsung will not be able to meet that burden. Indeed, the evidence  
18 of fame cited in the Court's summary judgment ruling shows that Apple's registered and  
19 unregistered iPhone trade dress is both famous and distinctive. (*See* Dkt. No. 1189 at 10-11.)  
20 Apple must show that the iPhone trade dress was famous by July 15, 2010, which is when  
21 Samsung released a product (the "Vibrant" version of the Galaxy S) that Apple has accused of  
22 diluting its iPhone trade dress.<sup>4</sup> (*See* Joint Pretrial Statement, Dkt. No. 1189 at 2, 11.)

23 Samsung's sale of numerous products that use the iPhone trade dress has unquestionably  
24 resulted in "dilution by blurring," by making the iPhone trade dress seem less distinctive and less

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25 <sup>4</sup> The parties' July 7, 2012, "Joint Case Narrowing Statement" clarified that Apple has not  
26 accused Samsung's "F700" of using Apple's iPhone Trade Dress. Apple's First Amended  
27 Complaint alleged that the F700 used *one portion* of Apple's trade dress ("the clean flat clear  
28 surface"), but did not accuse the F700 of using *all elements* of Apple's trade asserted dress, which  
consists of the combination of multiple elements, and did not accuse the F700 of diluting Apple's  
iPhone trade dress. (Dkt. No. 75 ¶ 80.)



1 closely associated with Apple. Apple will show dilution by blurring by evidence that will include  
 2 Hal Poret's survey showing that significant numbers of consumers associate the asserted iPhone  
 3 trade dresses with Apple, as well as a survey by Kent Van Liere regarding consumers' association  
 4 of the accused products with Apple. Apple will also present evidence that Samsung deliberately  
 5 copied the iPhone trade dress.

6 **4. Samsung's trade dress defenses are based on legally incorrect premises**

7 Lacking any valid defense, Samsung resorts, once again, to incorrect legal standards in an  
 8 attempt to show that Apple's trade dress is not protectable because it is "functional."

9 As this Court has held, Ninth Circuit precedent "requires that in evaluating functionality,  
 10 the trade dress should be *considered as a whole* rather than as a collection of individual  
 11 elements." (Dkt. No. 1158 at 5 (emphasis added), citing *Clicks Billiards*, 251 F.3d at 1259.)  
 12 Despite this ruling, Samsung's proposed jury instructions misleadingly define functionality as  
 13 meaning that "*a claimed feature* of the trade dress" is essential to the product's use or purpose or  
 14 affects its cost or quality. (Dkt. No. 1232 at 262 (emphasis added).) Samsung's experts Itay  
 15 Sherman and Sam Lucente have compounded this error by focusing on individual elements rather  
 16 than the functionality of the trade dress as a whole. Indeed, as this Court noted, "Samsung does  
 17 not offer any support for its assertion that the arrangement of features in the overall trade dress is  
 18 strictly functional . . . ." (Dkt. No. 1158 at 5.)

19 Samsung has also proposed an incorrect and extraordinarily broad definition of "aesthetic  
 20 functionality" that would effectively obliterate trade dress rights. As this Court noted, aesthetic  
 21 functionality is "a limited doctrine"; the Ninth Circuit has questioned whether it even exists  
 22 independently from "utilitarian functionality." (Dkt. No. 1158 at 7-8, citing *Clicks Billiards*, 251  
 23 F.3d at 1259 and *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1382 n.3 (9th Cir.  
 24 1983).) Yet Samsung asserts that a patent is invalid for aesthetic functionality if "a claimed  
 25 design feature of the trade dress improves the attractiveness and eye-appeal of the design." (Dkt.  
 26 No. 1232 261-262.) Samsung cites a district court case that refers to *Au-Tomotive Gold, Inc. v.*  
 27 *Volkswagen of Am., Inc.*, 457 F.3d 1062, 1068 (9th Cir. 2006), but *Au-Tomotive Gold* does not  
 28 support Samsung. The Ninth Circuit in *Au-Tomotive-Gold* "rejected the notion that 'any feature



of a product which contributes to the consumer appeal and saleability of the product is, as a matter of law, a functional element of the product.” 457 F.3d at 1069, 1073 (quoting *Vuitton et Fils S.A. v. J. Young Enterprises, Inc.*, 644 F. 2d 769, 773 (9th Cir. 1981).) Such an expansive view of aesthetic functionality would “provide[] a disincentive for development of imaginative and attractive design,” because “[t]he more appealing the design, the less protection it would receive.” *Id.* at 1073 (internal quotation and citation omitted). Indeed, such a view “would be the death knell for trademark protection,” since “it would mean that simply because a consumer likes a trademark, or finds it aesthetically pleasing, a competitor could adopt and use the mark on its own products.” *Id.* In sum, while *Au-Tomotive Gold* suggests the doctrine of aesthetic functionality might have “some limited vitality,” it squarely rejects Samsung’s overreaching interpretation. 457 F.3d at 1069-70, 1073.

## **II. SAMSUNG’S TORTS RESULT FROM AN INTENTIONAL CORPORATE STRATEGY TO COPY APPLE AND ITS PRODUCTS**

### **A. Samsung’s Own Documents Show that Samsung Copied Apple**

Samsung’s documents show that the similarity of Samsung’s products is no accident or, as Samsung would have it, a “natural evolution.” Rather, it results from Samsung’s deliberate plan to free-ride on the iPhone’s and iPad’s extraordinary success by copying their iconic designs and intuitive user interface. Apple will rely on Samsung’s own documents, which tell an unambiguous story.

Samsung’s documents show that Samsung developed an overall plan to copy Apple’s innovative designs and features so that it could compete with Apple. In September 2007, Samsung concluded that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] (*Id.* at 37.) In September 2008, Samsung’s CEO commented that Samsung should probably

[REDACTED]

[REDACTED] (PX9 at 1.) In December 2008, a Samsung-commissioned study concluded that

1 consumers [REDACTED]

2 [REDACTED]  
3 [REDACTED]. (PX36 at 10, 20-22, 32). In February 2010 — five months before Samsung  
4 began selling its infringing Galaxy S smartphone in the U.S. — Samsung Mobile Division  
5 President JK Shin told Samsung’s designers that the difference in user experience between the  
6 iPhone and Samsung’s flagship smartphone, the “Omnia,” is that of “Heaven and Earth,” and that  
7 he hears comments that Samsung should “make something like the iPhone.” (PX 40 at 2, 4.)

8 With regard to Apple’s design patent and trade dress claims, Samsung’s documents show  
9 that Samsung developed and released products that look almost identical to Apple’s, despite  
10 repeated warnings that Samsung’s products were too similar. [REDACTED]

11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED] (PX47 at 27.) Similarly, in February 2010,  
16 Google told Samsung that [REDACTED]

17 [REDACTED]  
18 [REDACTED] (PX42, PX43 at 2.) In 2011, Samsung’s own Product Design Group noted that [REDACTED]  
19 [REDACTED] (PX53 at 2.) And a  
20 Samsung-commissioned analysis concluded that Samsung’s smartphone container icons were  
21 [REDACTED] (PX 41 at 192, PX41 at  
22 193.) This evidence involves the products that Apple has accused of infringing its design patents  
23 and violating its trade dress rights, including the Galaxy S phone (sold in the U.S. as the  
24 “Vibrant” and other names), the Galaxy Tab 10.1, and the icon containers that Samsung used on  
25 its smartphones.

26 With regard to Apple’s user-interface software patents, Samsung’s documents show that  
27 Samsung deliberately copied numerous features of Apple’s products because it recognized that  
28 consumers preferred those features. Samsung’s copying was pervasive, was directed from the

1 highest levels of the company, and reached the patented features at issue in this litigation. For  
 2 example, in May 2010, Samsung concluded from an extremely detailed side-by-side comparison  
 3 of the iPhone and Samsung's [REDACTED]

4 [REDACTED]  
 5 [REDACTED]  
 6 This is the feature claimed by Apple's '381 patent. Samsung concluded that it should implement  
 7 [REDACTED] and it did. (PX46 at 66.) Similarly, in April 2011, Samsung concluded from  
 8 a comparison of one of [REDACTED]

9 [REDACTED]  
 10 [REDACTED] (PX57 at 19, 57 at 73) Samsung copied the rubberbanding (or "bounce")  
 11 feature in its tablets. Samsung's documents also show that Samsung copied the "tap-to-zoom"  
 12 feature claimed by the '163 patent, because it concluded that [REDACTED]

13 [REDACTED]  
 14 [REDACTED]  
 15 [REDACTED] And in March 2010, Samsung concluded from  
 16 an extremely detailed side-by-side comparison [REDACTED]

17 [REDACTED]  
 18 [REDACTED]  
 19 (PX 44 at 33, 58, 65, and 131.) Once again, this evidence is linked directly with the specific  
 20 infringing features of the products that Apple has accused of infringement.

21 **B. Samsung's Copying Establishes the Intent Required for Willful Infringement**  
 22 **and for Inducement and Supports Apple's Trade Dress Claims**

23 The evidence at trial will show that Samsung copied Apple's products without taking care  
 24 to design around patented designs and technology. This is paradigmatic willful infringement. It  
 25 is also helps to establish indirect patent infringement and dilution and infringement of Apple's  
 26 trade dresses.

27 Apple's evidence of willfulness dates back to 2007. When Steve Jobs introduced the  
 28 iPhone at a Macworld Expo, he announced to the world "we patented it" with more than 200

1 applications. (PX 32.) When Samsung released copycat smartphones in July 2010, Apple  
 2 immediately confronted Samsung to demand that it stop infringing. Senior Apple executives  
 3 showed Samsung, in side-by-side comparisons, how the design of the Galaxy phone imitated the  
 4 iPhone and walked Samsung through how the product infringed various Apple utility patents,  
 5 including the '381. (PX 52 at 17-19, 50-51.) Samsung was undeterred. It continued to release  
 6 infringing products. In fact, after learning [REDACTED]  
 7 [REDACTED] Samsung's response was to design its next-generation tablet to look even more like an iPad  
 8 2.

9 When Samsung copied Apple's products it willfully infringed Apple's patents. Whether  
 10 an "infringer deliberately copied the ideas or design of another" is the first factor in the Federal  
 11 Circuit's list for analyzing willfulness. *Read v. Portec*, 970, F. 2d 816, 827 (Fed. Cir. 1992).  
 12 Apple will establish for the Court the objective unreasonableness of Samsung's conduct, *Bard*  
 13 *Peripheral Vascular v. W.L. Gore & Assocs.*, 2010-1510, 2012 U.S. App. Lexis 13561 at \*6 (Fed.  
 14 Cir. Jun. 14, 2012), and will prove to the jury that Samsung knew or should have known of the  
 15 risk that it was infringing Apple's design and utility patents. *See also, In re Seagate Tech. LLC*,  
 16 497 F.3d 1360, 1371 (Fed. Cir. 2007).

17 The evidence at trial of Samsung's willful infringement, together with other evidence of  
 18 Samsung's willfulness and its litigation misconduct, will support a post-verdict finding that this is  
 19 an exceptional case warranting treble damages. In addition to the evidence of Samsung's  
 20 copying, the Court can and should consider Samsung's willful refusal to stop infringing Apple's  
 21 patents after both this Court and the Federal Circuit found Samsung was likely infringing Apple  
 22 patents as to which it had failed to raise a substantial question of validity. (Dkt. 1206-1 at 19-20.)  
 23 The Court should also consider all three of the sanctions orders Judge Grewal has entered against  
 24 Samsung for its failure to produce documents as ordered by the Court. (*Id.* at 21-22.)

25 The evidence of Samsung's intentional copying also supports a finding of inducement.  
 26 Apple will show that SEC infringed Apple's patents both directly and by inducing its subsidiaries  
 27 to infringe. SEC's infringement was direct, as it sold phones and tablets directly into the United  
 28 States. *SEB S.A. v. Montgomery Ward & Co., Inc.*, 594 F.3d 1360, 1375 (2010), *aff'd on other*

1 *grounds*, 131 S. Ct. 2060 (2011) . And SEC induced its subsidiaries to infringe because SEC  
 2 knew or was willfully blind to the fact that their sales infringed Apple's patents. *Global-Tech*  
 3 *Appliances, Inc., v. SEB S.A.*, 131 S. Ct. 2060, 2069 (2011).

4 Finally, the evidence that Samsung copied Apple and brought to market products it knew  
 5 were confusingly similar to the iPhone and iPad clinches Apple's trade dress case. Samsung's  
 6 knowing adoption of a product configuration similar to Apple's trade dress goes to the "intent"  
 7 prong of infringement. *See AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 354 (9th Cir. 1979).  
 8 And "intent to create an association" is an element of dilution by blurring. 15 U.S.C.  
 9 § 1125(c)(2)(B). Because the evidence will show Samsung's intent to trade on Apple's goodwill  
 10 and reputation and to deceive consumers, Apple will be entitled to damages for Samsung's willful  
 11 infringement of its trade dress. *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1407 (9th Cir.  
 12 1993).

13 In sum, SEC and its subsidiaries will be liable for infringing and diluting Apple's  
 14 intellectual property, and will be liable for an amount that will include treble damages.

### 15 **III. SAMSUNG'S VIOLATION OF APPLE'S INTELLECTUAL PROPERTY RIGHTS** 16 **GIVES RISE TO BILLIONS OF DOLLARS IN DAMAGES**

#### 17 **A. Apple Is Entitled to Substantial Monetary Damages**

18 Samsung adopted as its number one goal to [REDACTED] in the smartphone and tablet  
 19 markets, and it chose to compete by copying Apple. Samsung's infringing sales have enabled  
 20 Samsung to overtake Apple as the largest manufacturer of smartphones in the world. Samsung  
 21 has reaped billions of dollars in profits and caused Apple to lose hundreds of millions of dollars  
 22 through its violation of Apple's intellectual property. Apple conservatively estimates that as of  
 23 March 31, 2012, Samsung has been unjustly enriched by about [REDACTED] and has additionally  
 24 cost Apple about \$500 million in lost profits. Apple also conservatively estimates that it is  
 25 entitled to over \$25 million in reasonable royalty damages on the proportionately small set of  
 26 remaining sales for which it cannot obtain an award of Samsung's profits or Apple's own lost  
 27 profits, for a combined total of \$2.525 billion.  
 28



1 expenses, prepared solely for purposes of this litigation and repeatedly characterized by errors  
2 and inconsistencies.

3 Samsung wrongly claims that any award of infringer's profits under 35 U.S.C. § 289  
4 should be apportioned to address the specific value to Apple's design patents. The Court has  
5 already resolved this issue when it correctly held that this position was "contrary to law." (Dkt.  
6 No. 1157 at 9.) The Court has also excluded the testimony of Michael Wagner because he used  
7 unreliable methods by which to argue that only one percent of Samsung's profits were  
8 attributable to Apple's designs in connection with the trade dress case. (Dkt No. 1157 at 9-10.)

## 9 **2. Apple's Lost Profits**

10 Separately, Apple's design and utility patent infringement claims entitle Apple to  
11 "damages adequate to compensate for the infringement . . . together with interest and costs as  
12 fixed by the court." 35 U.S.C. § 284 (2006). Under well-established case law, this means that  
13 Apple may recover the profits that Apple lost as a result of Samsung's infringing sales. *Micro*  
14 *Chem. v. Lextron, Inc.*, 318 F.3d 1119, 1126-27 (Fed. Cir. 2003). Further, Apple can recover its  
15 lost profits resulting from violations of its trade dress. *Intel Corp. v. Terabyte Int'l, Inc.*, 6 F.3d  
16 614, 621 (9<sup>th</sup> Cir. 1993).

17 Apple conservatively estimates that Samsung's trespasses on the intellectual property in  
18 this case have caused Apple to lose about \$500 million in profits. These lost profits arise from  
19 sales that differ from and are in addition to the sales that are the focus of Apple's disgorgement  
20 claims discussed above.

21 Apple took steps to tailor its calculation conservatively to this case. First, Apple limited  
22 the periods during which it calculated lost sales of Apple products to times during which  
23 Samsung would need to redesign products to avoid infringing Apple's intellectual property. That  
24 is, Apple looks only to the gains that it would have made while Samsung was hypothetically  
25 creating a non-infringing alternative. Second, Apple focused its reallocation of sales under what is  
26 known as a *Mor-Flo* analysis on the specific market shares Apple held at each carrier. This  
27 approach results in a lost profits calculation that captures the specific dynamics present at each  
28 carrier as well as in the market generally. Third, Apple's damages expert independently assessed



Apple's capacity constraints, making the analysis even more conservative. Due to all these adjustments, Apple's calculations show that Apple would have gained approximately 7.5 percent of the infringing smartphone sales made by Samsung, and about 10.5 percent of the infringing tablet sales made by Samsung, which are sales Apple would have made "but for" Samsung's IP violations. These figures are far smaller than the 17 to 45 percent market share that Apple actually held for smartphones during the damages period and the 60 to 90 percent market share that Apple actually held for tablets. As noted above, Apple will seek either Samsung's profits (where its design rights are being violated) or a reasonable royalty (where only a utility patent is being infringed) for the remaining sales that are not accounted for in lost profits.

Samsung asserts that Apple is not entitled to lost profits at all because Samsung's accused products do not compete in the same market segments as Apple's products. The Court has already recognized that "the parties are clearly direct competitors." (Dkt. No. 1157 at 11.) Samsung's own documents state that "[REDACTED]" (PX183 at SAMNDCA10036088), and that Samsung made it a primary objective to [REDACTED] (PX27 at 3). Samsung's documents even state that in [REDACTED] between Apple and Samsung. (PX27 at 1.)

Samsung also claims that Apple cannot recover lost profits because consumers do not actually care about any of the patented features. This misstates the facts and the law. Apple has extensive evidence showing demand for Apple's proprietary features. Professor Hauser's conjoint survey shows that Samsung's customers are willing to pay between \$90 and \$100 above the base price of a \$199 smartphone and a \$499 tablet, respectively, to obtain the patented features covered by Apple's utility patents. (PX30.) Samsung's market research and its blatant copying of Apple's intellectual property further refute Samsung's litigation position that Apple's intellectual property does not drive value and sales. In any event, the law does not require a showing of demand unique to the patented features, but instead begins with proof of damages for the products as a whole. Thus, recovering lost profits under *Panduit* "requires a showing of (1) demand for the *patented product*, (2) absence of acceptable noninfringing substitutes,



1 (3) manufacturing and marketing capability to exploit the demand, and (4) the amount of profit  
2 that would have been made.” See *Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d  
3 1314, 1329-31 (Fed. Cir. 2009) (emphasis added). Apple will easily meet this standard at trial.

4 Finally, Samsung argues that Apple did not have the manufacturing capacity to make the  
5 lost sales, based on temporary backlogs immediately following new product launches. This  
6 argument ignores the evidence that Apple’s supply constraints were relatively short-lived, and did  
7 not coincide with the specific time periods during which Apple claims lost profits.

### 8 **3. Reasonable Royalty**

9 Finally, Apple has calculated about \$25 million of reasonable royalty damages based on  
10 infringing sales for which Apple is not seeking to recover either Samsung’s profits or Apple’s lost  
11 profits. Because this component of damages relates to products that infringe only the utility  
12 patents, it is the smallest component of Apple’s calculation. These damages are based on per-unit  
13 reasonable royalty rates of \$2.02 for infringement of the ’381 patent, \$3.10 for use of the ’915  
14 patent, \$2.02 for use of the ’163 patent, and \$24 for use of any of Apple’s design patents or trade  
15 dress rights. These amounts were calculated based on standard economic models frequently used  
16 in calculating reasonable royalty damages, including an evaluation of the well-worn *Georgia*  
17 *Pacific* factors. These methods are all commonly used and approved by the Federal Circuit in  
18 patent cases.

19 Samsung in contrast claims that Apple’s sole remedy should be an absurdly low royalty  
20 payment of \$28,452. This number is based on Samsung’s belief that it would take less than a  
21 month fully to design around all of Apple’s intellectual property, and that it could do so without  
22 losing a single sale. Samsung’s position is based on self-serving, hypothetical testimony from its  
23 own engineers, as translated by Samsung’s in-house litigation attorneys. The testimony violates  
24 Judge Grewal’s order regarding evidence of Samsung’s alleged design-arounds with respect to  
25 the ’381 and the ’163 Patents. (Dkt. No. 1106 at 3-4.) Moreover, it is inherently incredible. If  
26 Samsung could have avoided this lawsuit and this trial at a cost of less than \$30,000, it would  
27 have done so.  
28

**B. Special Considerations Apply to Calculating Trade Dress Damages**

The law provides similar remedies for trade dress infringement and dilution as it does for design patent infringement. Apple may recover Apple's lost profits, Samsung's profits, and reasonable royalty damages based on Samsung's violation of Apple's trade dress. 15 U.S.C. § 1117(a) (2006); *Sands, Taylor & Wood v. The Quaker Oats Co.*, 978 F.2d 947 (7<sup>th</sup> Cir. 1992), *on remand*, 1993 WL 204092 (N.D. Ill. 1993), *aff'd in part and rev'd in part*, 34 F.3d 1340, 32 U.S.P.Q.2d 1065 (7<sup>th</sup> Cir. 1994). There are two important differences specific to trade dress damages. First, a defendant may attempt to apportion an award of infringer's profits based on trade dress infringement. Second, actual notice is not a prerequisite for recovery based on infringement of unregistered trade dress or dilution of any trade dress, whether registered or unregistered.

These two considerations are discussed in turn below.

**1. Samsung Cannot Rebut the Presumption That All Profits Are Attributable to Samsung's Infringing Activity**

Under Ninth Circuit law, it is Apple's burden only to establish Samsung's gross sales associated with the trade dress violation, and Apple then enjoys a presumption that this sum may be recovered as damages. *Rolex Watch, U.S.A., Inc., v. Michel Co.*, 179 F.3d 704, 712 (9<sup>th</sup> Cir.1999) (plaintiff carries burden to show with "reasonable certainty" defendant's gross sales from infringing activity). Samsung bears the burden of establishing all deductions, whether for costs that are "actually attributable to sales of the infringing items," or for amounts that are "demonstrably not attributable" to the protected design. *Nintendo of Am. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1012 (9<sup>th</sup> Cir. 1994); *Kamar Int'l, Inc.*, 752 F.2d at 1329.

Samsung adopted an excessively aggressive position on apportionment that it could not support, and as a result all of Samsung's evidence on apportionment has been excluded under Rule 702. (Dkt. No. 1157 at 9-10.) Samsung therefore cannot rebut the presumption that all of its infringing sales are attributable to infringement, and Apple will recover all of Samsung's profits on the infringing or diluting sales. *Nintendo of Am. v. Dragon Pac. Int'l*, 40 F.3d 1007,

1 1012 (9th Cir. 1994) (“where infringing and noninfringing elements of a work cannot be readily  
2 separated, all of a defendant’s profits should be awarded to a plaintiff”).

## 3 **2. Actual Notice Is Not Required to Recover Damages for Violation of** 4 **Unregistered Trade Dress Rights**

5 Apple is entitled to recover damages on all of its trade dress claims without regard to  
6 whether it gave Samsung actual notice of those claims.

7 The statutory requirement for actual notice applies only to infringement of registered trade  
8 dress rights. 15 U.S.C. 1111 (2006) (“in any suit for infringement under this chapter by such a  
9 registrant. . . no profits and no damages shall be recovered . . . unless the defendant had actual  
10 notice of the registration”). By its own terms, the notice statute does not apply to Apple’s  
11 unregistered trade dress claims, nor to Apple’s claims based on trade dress dilution. 3 McCarthy  
12 on Trademarks & Unfair Competition § 19:144 (4th ed.) (“because the [§ 1111] requirement of  
13 notice only applies to registered marks, it is, of course, not a limitation on recovery of damages  
14 under a [§ 1125(a)] count for infringement of an unregistered mark); *Dwyer Instruments, Inc. v.*  
15 *Sensocon, Inc.*, No. 3:09-CV-10-TLS, 2012 U.S. Dist. LEXIS 78491, at \*29 (N.D. Ind. June 5,  
16 2012) (“This Court agrees that the notice language of § 1111 only applies to registered marks and  
17 to claims for infringement of such registered marks.”).

18 With one exception, all of Apple’s trade dress claims are for unregistered rights, and the  
19 registered right supports only a dilution claim, not an infringement claim. In any event, Apple did  
20 notify Samsung of its trade dress claims as early as July 2010 when Apple initiated executive-  
21 level discussions in an attempt to stop Samsung’s copying. Samsung did not listen to Apple, but  
22 willfully continued to violate Apple’s trade dress rights.

## 23 **IV. APPLE WILL BE ENTITLED TO A PERMANENT INJUNCTION**

24 After the jury finds that Samsung has violated Apple’s intellectual property rights, Apple  
25 will move for an injunction to stop future violations. *See* 35 U.S.C. § 283; 15 U.S.C. § 1116. A  
26 permanent injunction requires a showing that (1) the plaintiff has incurred irreparable injury;  
27 (2) monetary damages and other legal remedies are inadequate to compensate for that injury;  
28 (3) an injunction is warranted in view of the balance of hardships; and (4) the public interest

1 would not be disserved by a permanent injunction. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S.  
2 388, 391-92 (2006).

3 The Court has already issued a preliminary injunction against the Galaxy Tab 10.1 in this  
4 case, and a preliminary injunction against the Galaxy Nexus in Apple's second lawsuit against  
5 Samsung. The Court found that Samsung's sale of products that likely infringe Apple's patents is  
6 likely to have "downstream effects" on Apple's market share and sales of future products that  
7 cannot be remedied through monetary damages. The Court also found that the public interest  
8 favors enforcement of intellectual property rights, and that an infringer that elects to build its  
9 business on products that violate such rights has no basis to complain about any "hardship"  
10 resulting from an injunction. This is particularly so when, as here, the parties are direct  
11 competitors and the infringement results from deliberate copying. (*See, e.g.*, Dkt. 1135.) A  
12 finding at trial that Samsung has violated Apple's intellectual property rights will put Apple in an  
13 even stronger position to obtain an injunction, since this will be a final judgment rather than a  
14 preliminary finding of likely success on the merits.

15 An injunction is an equitable remedy for the Court to decide, and Apple understands that  
16 the Court intends to schedule post-trial briefing that may include evidence not presented at trial.  
17 To support a permanent injunction, Apple will rely on much of the same evidence that the Court  
18 has already considered in connection with the preliminary injunctions. Apple may also present  
19 additional evidence, including documents that Samsung improperly failed to produce during the  
20 preliminary injunction phase of this case. (Dkt. No. 898.) Apple will request the Court to issue a  
21 permanent injunction as promptly as possible after trial to put a stop to the irreparable harm  
22 Samsung's copying is inflicting on Apple.

23 **V. SAMSUNG'S ASSERTED DECLARED-ESSENTIAL PATENTS ARE NOT**  
24 **INFRINGED AND INVALID**

25 Samsung alleges that practice of U.S. Patent Nos. 7,675,941 and 7,447,516 ("the declared-  
26 essential patents") is required to comply with two short sections of the voluminous UMTS  
27 telecommunications standard, and that all Apple products operate on a UMTS network. Samsung  
28 alleges that these patents are important to UMTS; innovations over prior art wireless

1 technologies; procured through above-board, proper Samsung conduct during the standard-setting  
2 process; and not “exhausted” by Samsung’s license with Intel.

3 Samsung is wrong on all counts.

4 **First**, as Apple will demonstrate at trial, the declared-essential patents are not, in fact,  
5 required to practice UMTS. The claims of these patents do not read on the relevant portions of  
6 the UMTS standard.

7 **Second**, Samsung’s declared-essential patents are, even on their own terms, trivial  
8 features that are invalid in view of the extensive prior art. Each is directed to tiny tweaks that  
9 were known or obvious in light of the crowded field of prior art.

10 **Third**, Samsung engaged in standard-setting misconduct that renders these patents  
11 unenforceable. Samsung hid its patents from the standards working groups—breaching its duty  
12 to timely disclose them—and compounded this violation by demanding non-FRAND  
13 compensation, which breached Samsung’s FRAND commitments for these patents.

14 **Fourth**, Samsung’s infringement allegations are directed to functionality contained in the  
15 Intel baseband processors. Pursuant to a cross-license agreement, Samsung authorized Intel to  
16 sell these chips, and Intel’s authorized sales to Apple terminated Samsung’s rights with respect to  
17 any Samsung patents substantially embodied in those chips.

18 For all these reasons, Samsung’s declared-essential patent allegations will fail at trial.

19 **A. The ’941 Patent**

20 In May 2005, Samsung convinced 3GPP to adopt a proposal to make minor changes to a  
21 few subsections of Section 25.322, one of hundreds of subsections of the UMTS specification that  
22 make up the overall 3GPP specification. Unbeknownst to 3GPP, less than a week before making  
23 its proposal, Samsung filed a patent application in Korea—the priority application to the ’941  
24 patent—that Samsung contends covers the technology described in the proposal. Samsung did  
25 not disclose to 3GPP that it had filed this patent application. Indeed, Samsung did not disclose  
26 that it claimed to hold intellectual property rights over the technology until more than two years  
27 later, in August 2007. By that time, Section 25.322 had been frozen for almost two years, and it  
28 was too late for 3GPP to consider alternative proposals.

1 Samsung claims that the '941 patent covers a feature in Release 6.4.0 and subsequent  
2 versions of Section 25.322 of the 3GPP specification called the "Alternative E-bit interpretation."  
3 The feature relates to the meaning given to a one bit field in the "header" of data packets. The  
4 header provides information that is used during the "segmentation" (*i.e.*, breaking apart) and  
5 reassembly of data packets for wireless transmission, and Samsung contends that the Alternative  
6 E-bit interpretation utilizes headers more efficiently in certain limited circumstances (although the  
7 '941 patent acknowledges that the feature also sometimes leads to *inefficiencies*).

8 Under the 3GPP specification, it is mandatory for all mobile devices that support UMTS  
9 to respond or react to the Alternative E-bit interpretation if they are signaled to do so by the  
10 network operator or "carrier"—here, AT&T. It is not, however, mandatory that any carrier  
11 actually signal any mobile devices to implement the Alternative E-bit interpretation, and Samsung  
12 cannot show that AT&T implements the feature on its network. Thus, while Samsung contends  
13 that the Alternative E-bit interpretation allows for data to be sent more efficiently, it cannot show  
14 that the feature has actually resulted in any use, much less efficiency gains in the real world.

15 Samsung dropped its previously-asserted method claims—presumably because it cannot  
16 show that the accused products have ever used the Alternative E-bit interpretation—and now  
17 accuses Apple of infringing only apparatus claims 10 and 15. Samsung relies on a false syllogism  
18 that the accused products support 3GPP Release 6.4.0 and subsequent versions of the standard;  
19 that mobile devices must be capable of implementing the Alternative E-bit interpretation in order  
20 to be compliant with the standard; that the asserted claims of the '941 patent cover the Alternative  
21 E-bit interpretation; and therefore that the accused Apple products infringe the asserted claims.  
22 But Samsung is wrong on several counts.

### 23 **1. Apple Does Not Infringe the '941 Patent**

24 The asserted claims do not cover the Alternative E-bit interpretation described in the  
25 3GPP standard, and therefore the accused products do not infringe the '941 patent. In particular,  
26 the Alternative E-bit interpretation set forth in the standard describes setting the value of a one-bit  
27 field in the header of data packets called protocol data units ("PDUs") to indicate whether a PDU  
28 contains "a complete SDU [service data unit], which is not segmented, concatenated, or padded."

1 A mobile device will understand a specific bit in that field (*i.e.*, a 0) to indicate that the PDU  
2 contains a complete SDU and nothing else. In contrast, the asserted claims describe a one-bit  
3 field that indicates whether a PDU contains “an entire SDU.” As the named inventors on the ’941  
4 patent acknowledged during their depositions, a PDU can contain “an entire SDU” and nothing  
5 else, but also can contain “an entire SDU” with padding or “an entire SDU” concatenated with  
6 another SDU.

7 This difference is critical. The Alternative E-bit described in the standard is set to a value  
8 (*i.e.*, 0) to indicate only the single situation in which the SDU exactly matches the size of the  
9 PDU data field, and thus there is nothing else in the data field. By contrast, the ’941 claims  
10 require that the one-bit be set to the same value (*i.e.*, 0) whenever the PDU contains an “entire  
11 SDU,” so that the claimed one-bit would be set to 0 in three different situations: (1) when the  
12 PDU contains an entire SDU with padding; (2) when the PDU contains an entire SDU with  
13 concatenation; and (3) when the PDU contains an entire SDU without padding or concatenation.  
14 This difference means that a mobile device programmed to the standard would not be able to  
15 communicate properly with a mobile device that was programmed according to the ’941 claims.

16 Samsung has indicated that it is not relying on the doctrine of equivalents (“DOE”) for the  
17 ’941 patent. (*See* Dkt. No. 1232, at 88.) In any event, such arguments should be excluded  
18 because Samsung’s expert, Dr. Williams, failed to provide opinions regarding the DOE with any  
19 particularity in his report. *See, e.g., Amgen Inc. v. F. Hoffman-La Roche Ltd.*, 580 F.3d 1340,  
20 1382 (Fed. Cir. 2009) (DOE requires “particularized testimony and linking argument”). In  
21 addition, prosecution history estoppel bars Samsung from relying on the DOE for the “entire  
22 SDU” limitation because Samsung added that limitation by amendment during prosecution in an  
23 attempt to overcome a prior art rejection from the Patent Office. *See, e.g., Festo Corp. v.*  
24 *Shoketsu Kinzoku Kogyo Kabushiki Co.*, 304 F.3d 1289 (Fed. Cir. 2002) (en banc). Furthermore,  
25 the all-elements rule precludes the DOE because a finding that the accused Alternative E-bit  
26 interpretation (which indicates that a PDU contains a complete SDU that is *not* segmented,  
27 concatenated, or padded) is equivalent to the claimed “entire SDU” (which means that the SDU  
28



1 can be concatenated or padded within the PDU) would vitiate that claim limitation altogether.  
 2 *See, e.g., Warner-Jenkinson Co. v. Hilton-Davis Chem. Co.*, 520 U.S. 17, 39 n.8 (1997).

## 3                   **2.       The '941 Patent Is Invalid**

4           Many techniques for segmenting and reassembling data packets, including the use of  
 5 header bits to indicate the contents of a PDU, were well known before the '941 patent. The  
 6 asserted claims are anticipated by, or would have been obvious in view of, U.S. Patent No.  
 7 6,819,658 ("Agarwal"), which discloses all elements of the asserted claims, and in particular  
 8 discloses both a one-bit field and a pre-defined length indicator for indicating certain information  
 9 about the contents of PDUs. The asserted claims are also rendered obvious in light of one or  
 10 more of prior art references including Agarwal, U.S. Patent Application No. 2002/0016852  
 11 ("Nishihara"), and PCT Application No. WO 02/43332 ("Petersen"), each alone or in view of  
 12 other secondary references, which also disclose each of the elements of the asserted claims. The  
 13 Patent Office was aware of none of this prior art during prosecution of the '941 patent.

## 14                   **B.       The '516 Patent**

15           Reflecting a corporate policy of deception in its conduct before ETSI during the UMTS  
 16 standard-setting process, Samsung followed the same pattern of non-disclosure with the '516  
 17 patent as the '941 patent. In May 2005, Samsung persuaded 3GPP to adopt a proposal to make  
 18 minor changes to a subsection of Section 25.214 of the UMTS specification. The Samsung  
 19 inventors presenting the proposal deliberately failed to inform 3GPP that in June 2004 they had  
 20 filed a patent application in Korea—the priority application to the '516 patent—that Samsung  
 21 contends covers the technology described in the proposal. Indeed, Samsung waited more than a  
 22 year—until May 2006—to disclose to ETSI that Samsung claimed to hold intellectual property  
 23 rights over the technology. By that time, Section 25.322 had been frozen for approximately 11  
 24 months, and it was too late for 3GPP to consider alternative proposals.

25           Samsung alleges that claims 15 and 16 cover a feature in Release 6.6.0 and later versions  
 26 of the 3GPP standard TS 25.214 relating to power control on the uplink, i.e., from the mobile  
 27 device to the base station. There are five total uplink channels in Release 6. Generally, using  
 28 more power increases data reliability because more power makes it easier to overcome



1 interference in the atmosphere. But it is possible that the total transmit power that the mobile  
2 device plans to use or is using exceeds the maximum power level that the network will allow or  
3 that the device can use for transmission. In that case, as the prior art clearly taught, the mobile  
4 device must reduce the amount of power it is transmitting. The 3GPP standard TS 25.214  
5 Release 6.6.0 requires that when the total transmit power for all five of these channels exceeds the  
6 maximum allowed power, then the transmit power for one of those channels, the E-DPDCH  
7 channel, is scaled down.

8 Samsung's infringement argument for the '516 patent is the same as for its other declared-  
9 essential patent. Samsung again relies on a false syllogism that the accused products (Apple  
10 iPhone 4 and iPad 2 3G) comply with the 3GPP Release 6.6.0 and subsequent versions of the  
11 standard; that the '516 patent covers the power control portion of TS 25.214 Release 6.6.0; and  
12 therefore that the accused products infringe the asserted claims. But, once again, Samsung is  
13 wrong.

#### 14 **1. Apple Does Not Infringe the '516 Patent**

15 The asserted claims of the '516 patent do not cover the power control portion of TS  
16 25.214 Release 6.6.0, and therefore the accused products do not infringe. In particular, the  
17 asserted claims consider the transmit power for only two of the five channels when determining  
18 whether the claimed "total transmit power" exceeds the mobile device's maximum allowed power  
19 and, if it does, the claimed device scales down the transmit power factor for the second channel.  
20 The asserted claims, therefore, call for an apparatus containing a controller that calculates total  
21 transmit power by considering the transmit power for only two of the five channels. In contrast,  
22 the 3GPP standard evaluates the transmit power for all five of the channels when determining  
23 whether to reduce power. The standard, therefore, calls for a controller that calculates total  
24 transmit power differently from what is required by the asserted apparatus claims.

25 Apple anticipates that Samsung may try to prove infringement by presenting opinions  
26 from its expert that Judge Grewal struck because they were not disclosed in (and actually  
27 diverged from) Samsung's infringement contentions. Samsung has not alleged that the accused  
28 products infringe the '516 patent under the DOE (*see* Dkt. No. 1232 at 88), but again any such

arguments should be excluded because Samsung's expert failed to provide opinions regarding the DOE with any particularity in his report.

## 2. The '516 Patent Is Invalid

Many techniques for reducing power in a mobile device when the total transmit power has been exceeded were well known before the '516 patent. The asserted claims would have been obvious in light of one or more prior art references, including TS 25.214 version 6.1.0, TR 25.896 version 6.0.0, Japanese Patent Application No. 2002-190774 ("Hatta"), the admitted prior art in the '516 patent and U.S. Patent No. 6,510,148 ("Honkasalo"), each alone or in view of other references. The prior art discloses all elements of the asserted claims, and it would have been obvious to combine those teachings. The admitted prior art in the '516 patent and TS 25.214 version 6.1.0 combined with TR 25.896 disclose everything in the '516 patent except unequal scaling of the transmit power factors. However, Hatta solves the same problem as the '516 patent by reducing the transmit power for one class of channels while maintaining constant the transmit power for a second class of channels. It would have been obvious to scale down the power on the E-DPDCH channel first because the E-DPDCH channel uses HARQ, which requires less power to transmit because the data can be retransmitted. The prior art also teaches that the enhanced data channel would have a lower priority. Accordingly, a person of ordinary skill in the art of the '516 patent would have had no difficulty combining these references. The Patent Office was aware of none of this prior art during the prosecution of the '516 patent.

### C. No Willful Infringement of the Declared-Essential Patents

The reasonableness of Apple's non-infringement, invalidity, unenforceability (waiver, estoppel), and patent exhaustion defenses to Samsung's declared-essential patents demonstrate, as a matter of law, that Apple did not act "despite an objectively high likelihood that its actions constituted infringement of a valid patent." *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc). In addition, there is no evidence that an "objectively defined risk . . . was either known or so obvious that it should have been known to" Apple. *Id.* at 1371. There is also no evidence that Apple copied the declared-essential patents or otherwise had the subjective intent to infringe. Furthermore, Samsung is required to license the asserted declared-essential

1 patents on FRAND terms. Apple could not have willfully infringed patents that Samsung is,  
 2 under any circumstances, obligated to license on FRAND terms to any implementer of the UMTS  
 3 standard.

4 **VI. SAMSUNG’S RIGHTS IN THE ASSERTED DECLARED ESSENTIAL PATENTS**  
 5 **HAVE BEEN EXHAUSTED BY INTEL’S AUTHORIZED SALE OF LICENSED**  
 6 **BASEBAND CHIPS TO APPLE**

7 Samsung’s infringement claims under the declared essential patents are precluded by the  
 8 doctrine of patent exhaustion. “The longstanding doctrine of patent exhaustion provides that the  
 9 initial authorized sale of a patented item terminates all patent rights to that item.” *See Quanta*  
 10 *Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 625 (2008). Samsung has accused Apple’s  
 11 products of infringing the declared-essential patents because they comply with the UMTS  
 12 standard. All the accused functionality resides in one component: the baseband processor, which  
 13 Intel sells to Apple. Through an agreement between Intel and Samsung, Intel is licensed to sell  
 14 [REDACTED] to Apple baseband chipsets that embody Samsung’s declared-essential  
 15 patents, and Intel’s sales to Apple thus exhaust Samsung’s patent rights.

16 Samsung makes two arguments that exhaustion does not apply, neither of which has merit.  
 17 First, Samsung claims that the express authorization it gave Intel to “sell [REDACTED]  
 18 baseband chipsets embodying its patents is inoperative [REDACTED]

19 [REDACTED]  
 20 [REDACTED]  
 21 [REDACTED]  
 22 [REDACTED]  
 23 [REDACTED]  
 24 [REDACTED]  
 25 [REDACTED]  
 26 [REDACTED]  
 27 [REDACTED]  
 28 [REDACTED] *d.*

Moreover, Intel bargained for and paid compensation to Samsung for the unfettered right to “sell [REDACTED] the baseband chipsets at issue here. Accordingly, Samsung has been fully compensated for sales of chipsets it claims are covered by its patents, and the conditions for exhaustion are satisfied. It makes no sense that Intel would be deprived of its unqualified contractual right to “sell [REDACTED] simply because [REDACTED]

Second, Samsung argues that sales of the relevant baseband chipsets were not U.S. sales and therefore do not trigger patent exhaustion because Apple directs Intel to deliver the chips to its contract manufacturers located abroad. But, among other indicia of a U.S. sale, negotiations for the chipset sales occurred in the United States, the chipsets were sold through a U.S. subsidiary of Intel to Apple in the United States, the relevant orders were placed in the United States, and payment was invoiced and received in the United States. As the Federal Circuit has held, the location of contract negotiations, among other factors, can define the location of a sale. *See, e.g., MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1377 (Fed. Cir. 2005) (focusing on the location of contracting and finding that a sale occurred in Japan where all of the negotiations, ordering, invoicing, and shipping instructions were in Japan, despite the fact that delivery was in Texas). Contrary to Samsung’s argument, the place of delivery is not dispositive. *See, e.g., North American Philips Corp. v. American Vending Sales, Inc.*, 35 F.3d 1576, 1579 (Fed. Cir. 1994) (“[I]t is possible to define the situs of the tort of infringement-by-sale either in real terms as including the location of the seller and the buyer and perhaps the points along the shipment route in between, or in formal terms as the single point at which some legally operative act took place . . . . [A]ppellee has failed to explain why the criterion should be the place where the legal title passes rather than the more familiar places of contracting and

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<sup>5</sup> Samsung points to another case from the same court that it claims reaches the opposite conclusion. *See Tulip Computers Int'l v. Dell*, 262 F. Supp. 2d 358 (D. Del. 2003). That decision, however, fails to distinguish the logic of *Thorn* and is an incorrect application of Federal Circuit precedent. Apple submits that *Thorn* is the better-reasoned decision, and should be applied here.

performance.”). Here, Intel was in fact authorized to sell baseband chipsets incorporating the declared-essential patents regardless of the provenance of those chipsets and the patents are substantially embodied, if at all, in the baseband processors Intel sells to Apple.

## **VII. SAMSUNG’S STANDARD-SETTING DECEIT RESULTS IN WAIVER OF ITS RIGHTS TO ASSERT THE PATENTS AGAINST APPLE**

Samsung’s failure to disclose its IPR as required by the ETSI IPR Policy also results in an implied waiver of any right it would otherwise have to assert its declared-essential patents against implementers of the UMTS standard. Under the doctrine of implied waiver, Samsung’s conduct “was so inconsistent with an intent to enforce its rights as to induce a reasonable belief that such right has been relinquished.” *Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004, 1020 (Fed. Cir. 2008). The evidence will show the following elements required for waiver: (1) Samsung had a duty to timely disclose the asserted patents (or related patents or applications) during the UMTS standard-setting process, and (2) Samsung failed to do so. *See Qualcomm*, 548 F.3d at 1020.

Samsung contends that (1) Apple can only establish unenforceability by proving an intentional waiver, and (2) its disclosure obligations extend only to patents found to be actually essential. Samsung is wrong on both counts. First, waiver need not be intentional; it may be implied. *See Qualcomm*, 548 F.3d at 1020 (upholding jury instruction on waiver that “was not limited to ‘true waiver,’ [i.e., intentional waiver] but also addressed ‘implied waiver’”). Second, *Qualcomm* upheld a finding of waiver where the rules of the relevant standard-setting organization (like the ETSI IPR Policy) required disclosure of IPR that “might be essential” to the standard and where it was found that the undisclosed patents “reasonably might be necessary” to practice the standard. *Id.* at 1022.

Both elements of implied waiver under *Qualcomm* are met. Samsung had a duty under ETSI’s IPR Policy to timely disclose patents and patent applications that “might be essential” to the ETSI standard, and Samsung breached that duty.

**VIII. SAMSUNG IS ESTOPPED FROM ASSERTING ITS PATENTS AGAINST APPLE BECAUSE OF ITS STANDARD-SETTING DECEIT**

Due to its breach of its disclosure obligations under the ETSI IPR Policy, Samsung is equitably estopped from asserting the '516 and '941 patents. Under the doctrine of equitable estoppel, a patent holder's infringement claim may be barred where the alleged infringer proves by a preponderance of the evidence that (1) the patentee was silent in the face of a duty to disclose IPR, (2) the standard-setting body relied on the patentee's adherence to its disclosure rules in deciding to standardize the relevant technology, and (3) implementers of the standard can no longer select alternative technologies that perform the standardized function covered by the patent. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028, 1042-43 (Fed. Cir. 1992) (en banc).

Samsung contends that Apple must prove that *Apple itself*, rather than 3GPP, relied on an understanding that Samsung would fulfill its disclosure obligations and thereby suffered material harm. The Federal Circuit, however, has made clear that equitable estoppel may apply based on disclosure violations in the standard-setting context, *see Qualcomm*, 548 F.3d at 1021 n.8 (“[E]quitable estoppel may generally be an appropriate legal framework for analysis of breaches of disclosure duties in the SSO context[.]”), and it is, of course, the standard-setting body and its members—not the implementer (unless the implementer was also participating in the standard-setting activities)—that rely on standard-setting disclosure obligations. 3GPP members, including Apple, substantially relied on adherence to the ETSI IPR Policy's disclosure obligations when determining whether to incorporate a given technology into the UMTS standard.

All the elements of equitable estoppel have been met. As discussed in Section V above, Samsung had a duty to timely disclose the '516 and '941 patents (or related patents or applications) that “might be essential” to the ETSI standard, and Samsung failed to meet that duty.

**IX. SAMSUNG'S FEATURE PATENTS ARE NOT INFRINGED AND INVALID**

The innovative Apple products that Samsung accuses do not infringe Samsung's U.S. Patent Nos. 7,577,460, 7,456,893, and 7,698,711, and, in any event, all three of these patents are

invalid. Samsung's patents are narrow in scope, covering only specific and outmoded technologies that are not practiced by any of the accused products. Specifically, Samsung asserts claim 1 of the '460 patent against the Apple iPhone 3G, iPhone 3GS, iPhone 4, iPad 2, and iPod touch (4th Generation); claim 10 of the '893 patent against the Apple iPhone 3GS, iPhone 4, iPad 2, and iPod touch (4th Generation); and claim 9 of the '711 patent against the iPhone 3G, iPhone 3GS, iPhone 4, and iPod touch (4th Generation).<sup>6</sup> (Dkt. 1189 at 13; Yang Opening Expert Report, March 16, 2012, at ¶ 17.) Claim 1 of the '460 patent covers a specific and convoluted method of sending emails from sub-modes with and without images; claim 10 of the '893 patent covers an apparatus displaying a last-viewed image rather than a last-captured image no matter how long a user switches away from an image viewing mode; and claim 9 of the '711 patent covers a device using a particular software element called an "applet" to play music in the background.

In contrast, the accused products operate in fundamentally different ways and are based on more modern technologies that differ substantially from the outmoded methods claimed in the Samsung patents. For example, the accused products employ built-in applications ("apps") that are more flexible, modern, and innovative than the more static and outdated "modes" claimed in the Samsung patents. Furthermore, the Samsung patents are invalid as anticipated or obvious over prior art including references that Samsung did not disclose to the Patent Office.

#### **A. The '460 Patent**

##### **1. Apple Does Not Infringe The '460 Patent**

The '460 patent does not cover the more sophisticated and innovative methods employed by the accused products in the sending of email with or without photo images. Rather, the '460 patent requires a complicated and hard to follow series of steps involving "modes" and "sub-modes" that are not employed in the accused products. Specifically, the '460 patent claim requires that a user enter a first e-mail transmission sub-mode from a portable phone mode; enter a second e-mail transmission sub-mode from a display sub-mode displaying an image most

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<sup>6</sup> For the '711 patent, Samsung has made no monetary damages claims for alleged infringement of the iPod touch (4th Generation).



1 recently captured in a camera mode; display other images using scroll keys; and transmit the two  
 2 e-mails. The steps described by the '460 patent are significantly different from the simple and  
 3 elegant method Apple provides to users for sending photos, which cannot be practiced as claimed  
 4 in the '460 patent.

5 Indeed, claim 1 of the '460 patent is so convoluted that even Samsung has had difficulty  
 6 explaining it. To date, Samsung has offered three different interpretations of what the claim  
 7 requires. Samsung initially asserted that Apple infringes when a user employs the following  
 8 series of steps: enter the Mail app and start a first email; return to the Home screen; enter the  
 9 Photos app and start a second email including an image; return to the Home screen; enter the  
 10 Camera app and display photos through the use of left and right arrows; return to the Mail app  
 11 and send the first email; and return to the Photos app and send the second email. (Samsung's  
 12 Disclosure of Asserted Claims and Infringement Contentions (Patent L.R. 3-1, 3-2), Sept. 7,  
 13 2011, Ex. J at 3, 5, 9, 10, 12.) Presumably recognizing that it would be impossible to demonstrate  
 14 that Apple users actually performed such a convoluted series of steps, Samsung tried to broaden  
 15 its interpretation after retaining Dr. Yang as an expert witness. In his report, Dr. Yang asserted a  
 16 new theory that Apple infringes when a user merely performs "three core functions": (1) sending  
 17 an e-mail with text; (2) sending an e-mail with a photo; and (3) scrolling through photos. Finally,  
 18 perhaps recognizing that survey results would demonstrate how few people actually practiced the  
 19 '460 patent under Dr. Yang's new "three core functions" theory, Samsung's survey expert Dr.  
 20 Sukumar provided still another interpretation of the '460 patent in the customer survey that he  
 21 conducted. [REDACTED]

22 [REDACTED] (Sukumar  
 23 Opening Expert Report, March 16, 2012, at 3, 31.)

24 The accused products operate in a fundamentally different manner from the method  
 25 claimed in the '460 patent. **First**, the accused products do not employ "modes" and "sub-modes"  
 26 as claimed. Specifically, the accused products do not have the (1) "first" and "second E-mail  
 27 transmission sub-mode"; (2) "portable phone mode"; (3) "camera mode"; and (4) "display sub-  
 28 mode." Rather, in contrast to the fixed and inflexible "modes" and "sub-modes" claimed in the



1 '460 patent, the accused products employ built-in “apps” that provide multiple different  
 2 functions, can be added to or removed from the Apple device, and are designed to operate at the  
 3 same time. The accused products also employ a more modern and sophisticated “swiping”  
 4 method to view photos from a gallery of stored photos in lieu of the “scroll key” method claimed  
 5 in the '460 patent. **Second**, it is not even possible for accused products to perform Samsung’s  
 6 convoluted method steps in the manner required by the claim. For example, it is not possible to  
 7 instruct the Photos or Camera app to e-mail a most recently captured image, and then browse  
 8 through “other” images while that e-mail is pending.<sup>7</sup> Not surprisingly, Samsung has provided no  
 9 evidence that Apple itself practices the claimed method or induces anyone else to practice the  
 10 claimed method.

11 Samsung has failed to come forward with evidence sufficient to prove literal infringement  
 12 or to satisfy the legal standard governing the doctrine of equivalents. Specifically, Samsung has  
 13 utterly failed to provide the particularized testimony and linking argument that is required before  
 14 Samsung can rely on the doctrine of equivalents. Therefore, the Court should not permit  
 15 Samsung to rely on this theory in any way, including the presentation of any evidence to the jury  
 16 in support of this assertion. *See, e.g., Amgen*, 580 F.3d at 1382 (doctrine of equivalents requires  
 17 “particularized testimony and linking argument”).

18 For example, Dr. Yang offers the conclusion in his report, unadorned by any supporting  
 19 analysis, that “[u]se of swiping on iPhone 4S is insubstantially different from use of scroll keys,”  
 20 and “[u]nder the doctrine of equivalents, swiping meets this claim element.”<sup>8</sup> (*See* Yang Opening  
 21 Report at Ex. 1A-1, step three (asserting “doctrine of equivalents” but omitting

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22  
 23 <sup>7</sup> Samsung may argue that the method steps of claim 1 of the '460 patent need not be performed in order. This  
 24 ignores the plain meaning of the claim term “sequentially displaying **other** images” following the step “displaying **an**  
 25 **image** most recently captured.” *See, e.g., Ring Plus, Inc. v. Cingular Wireless Corp.*, 614 F.3d 1354, 1364 (Fed. Cir.  
 26 2010) (for steps to occur out of order would recite an “illogical sequence” based on claim language); *Loral Fairchild*  
 27 *Corp. v. Sony Corp.*, 181 F.3d 1313, 1321-1322 (Fed. Cir. 1999) (“Although not every process claim is limited to the  
 28 performance of its steps in the order written, the language of the claim, the specification and the prosecution history  
 support a limiting construction in this case.”); *Mantech Envtl. Corp. v. Hudson Envtl. Servs., Inc.*, 152 F.3d 1368,  
 1375-1376 (Fed. Cir. 1998) (order in claimed steps “is apparent from the plain meaning of the claim” and claimed  
 steps could not be performed “in any order”).

<sup>8</sup> This Court denied Samsung’s motion to amend its Infringement Contentions to add the iPhone 4S to the case.  
 (Order Denying Samsung’s Motion to Amend Invalidity Contentions; Order Denying Samsung’s Motion to Amend  
 Infringement Contentions, Mar. 27, 2012, at 10-12, [Dkt 836].)

function/way/result or other particularized analysis).) This purely conclusory testimony without any linking argument falls far short of the applicable legal standard and is precisely the type of generalized and unsupported evidence that should be excluded from the trial. Further, Dr. Yang's expert report provides no argument regarding infringement of any other limitations of claim 1 under the doctrine of equivalents.

In any event, Samsung should be estopped from asserting that the accused products infringe the following limitation in the '460 patent: "sequentially displaying other images stored in a memory through the use of scroll keys." During prosecution of the grandparent application to the '460 patent, Samsung added the step of "sequentially displaying other images stored in a memory through the use of scroll keys" to pending claim 20 (corresponding to issued claim 1 of the '460 patent) to overcome a prior art rejection. (JX-1066 at 11/12/2002 Amendment APLNDC-WH-A 0000014250 to 251.) Samsung also added the requirement of displaying an image "most recently" captured in a camera mode as part of the same amendment to overcome prior art. (Id.) Because these limitations were added by amendment during prosecution to overcome prior art, Samsung is estopped from claiming that the accused products infringe the step of "sequentially displaying other images stored in a memory through the use of scroll keys" or the second e-mail transmission sub-mode displaying an image "most recently" captured in a camera mode under the doctrine of equivalents. *See Festo*, 535 U.S. at 734 ("Prosecution history estoppel . . . preclud[es] a patentee from regaining, through litigation, coverage of subject matter relinquished during prosecution of the application for the patent" (internal quotation omitted)).

## 2. The '460 Patent Is Invalid

The '460 patent claim is nothing more than an obvious product of the convergence of known old technologies. Samsung may allege that it invented the camera phone, but this allegation is not relevant to the claimed method of the '460 patent and, in any event, it is wrong: many camera phones existed prior to the '460 patent. Indeed, the prior art includes camera phones capable of sending e-mail with text, e-mail with photos, and sequentially displaying photos with scroll keys. (*See, e.g.*, U.S. Patent No. 6,690,417 (TX 120); U.S. Patent No. 6,069,648 (TX 119); U.S. Patent No. 6,009,336 (TX 118).) Dr. Yang's "three core functions"

1 were all well-known in the prior art, and the narrow and convoluted '460 patent claim represents  
 2 nothing more than an obvious combination of old technologies applied in a standard and  
 3 predictable manner.

#### 4 **B. The '893 Patent**

##### 5 **1. Apple Does Not Infringe The '893 Patent**

6 Conventional digital cameras, which were well-known prior to the '893 patent, provided  
 7 modes, such as a photographing mode to allow a user to take pictures and a stored-image display  
 8 mode to view the pictures. The purported problem identified by the '893 patent was that  
 9 conventional digital cameras did not allow a user to return to a last-viewed image in display mode  
 10 following a mode-switching operation, and instead would display a most recently captured image.  
 11 The '893 patent claims a digital image processing apparatus, such as a digital camera, that can  
 12 switch between stored-image display mode and photographing mode, and return to a most  
 13 recently viewed image in display mode “irrespective of a duration” the apparatus was in the  
 14 photographing mode.

15 The accused products operate in a fundamentally different manner and lack several  
 16 elements of the claim asserted by Samsung. *First*, the accused products do not have a “stored-  
 17 image display mode” or a “photographing mode” as claimed in the '893 patent. Instead of  
 18 employing inflexible “modes,” or states of operation, like a conventional digital camera, the  
 19 accused products are sophisticated computing devices that use built-in “apps,” independent pieces  
 20 of software for capturing and viewing images. *Second*, the accused products do not display the  
 21 most recently viewed image when returning to the Photos app from the Camera app “irrespective  
 22 of a duration” that a user operated the Camera app. The most recently viewed image is not  
 23 displayed, for example, after the device requires memory use elsewhere and loses the state of the  
 24 Photos app.

25 Samsung has failed to come forward with evidence sufficient to prove literal infringement  
 26 and has stated that it is not relying on the doctrine of equivalents for the '893 patent. (*See* Dkt.  
 27 No. 1232, at 88.) In any event, Samsung has failed to provide the particularized testimony and  
 28 linking argument that is required before Samsung can rely on the doctrine of equivalents.

Therefore, the Court should not permit Samsung to rely on this theory in any way, including the presentation of any evidence to the jury in support of this assertion. *See, e.g., Amgen*, 580 F.3d at 1382 (doctrine of equivalents requires “particularized testimony and linking argument”).<sup>9</sup>

## 2. The '893 Patent Is Invalid

The asserted claim of the '893 patent is invalid because it is anticipated or rendered obvious by several prior art references either alone or in combination. For example, as the prosecution history of the '893 patent makes clear, U.S. Patent No. 6,867,807 to Malloy Desormeaux teaches every limitation of the asserted claim except for the “irrespective of a duration” limitation. (JX-1065 at 1065.038 - 1065.044, *e.g.*, July 10, 2008 Amendment.) This limitation is an obvious and predictable common-sense design choice, as further demonstrated by other anticipatory prior art, *e.g.*, Korean Patent No. 10-2004-0013792 (“KR '792 patent”). (*See* TX 112.)

Finally, the asserted claim fails for lack of written description because the specification lacks support for the “irrespective of a duration” claim limitation. Samsung added this limitation by amendment to overcome a prior art rejection without identifying support in the specification, and still has not identified any.

## C. The '711 Patent

### 1. Apple Does Not Infringe The '711 Patent

The '711 patent does not cover the more sophisticated and innovative methods employed by the accused products relating to the play of music and multi-tasking. Rather, the '711 patent claims a pocket-sized mobile communication device with a particular implementation for playing music in the background while the user multitasks. Specifically, the '711 patent claims that a user is able to play an MP3 music file, switch to a standby mode, select another function such as text messaging, and use that second function while the music play continues in the background.

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<sup>9</sup> Should Samsung attempt to argue that claim 10’s “irrespective of a duration” limitation is infringed under the doctrine of equivalents, such argument must be barred by prosecution history estoppel. This limitation was added by amendment to overcome prior art, and Samsung cannot recapture that claim scope having surrendered it during prosecution. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 734 (2002). *See also* File History for '893 Patent, Amendment of July 10, 2008.

1 The claims require that the music background play is implemented using an “applet,” a special  
2 type of software application.

3 In contrast, the accused products do not practice the limitation in the ’711 patent requiring  
4 the “music background play object, wherein the music background play object includes an  
5 application module including at least one applet” limitation. Specifically, the accused products  
6 do not use an “applet” for playing music in the background as claimed. The iOS operating  
7 system used in the accused products is not designed to employ an “applet” as defined by the  
8 Court and as claimed by Samsung. (The Court has defined “applet” as “an application designed  
9 to run within an application module.”) Not surprisingly, Samsung has failed to identify any  
10 source code for the accused products relating to an application designed to run within an  
11 application module, for the simple reason that no such source code exists. Furthermore, while  
12 claim 9 requires an “MP3 mode” for selection by a user, the accused products play music by  
13 launching a music application, not by selecting a mode. In the absence of an MP3 mode, the  
14 accused products cannot infringe the asserted claim.

15 Samsung has failed to come forward with evidence sufficient to prove literal infringement  
16 and has stated that it is not relying on the doctrine of equivalents for the ’711 patent. *See* Dkt.  
17 No. 1232, at 88. In any event, Samsung should be precluded from asserting the doctrine of  
18 equivalents because it has failed to provide the particularized testimony and linking argument that  
19 is required to do so. *See, e.g., Amgen*, 580 F.3d 1340, 1382 (Fed. Cir. 2009) (doctrine of  
20 equivalents requires “particularized testimony and linking argument”).<sup>10</sup>

## 21 **2. The ’711 Patent Is Invalid**

22 The ’711 patent is invalid for obviousness. Playing music in the background while multi-  
23 tasking, as described in the ’711 patent, was well-known on prior art mobile phones, for example,  
24 the Sony Ericsson K700i. “Applets” also were well-known in the prior art, including for purposes  
25 of playing music files on mobile phones. (*See, e.g.,* Q.H. Mahmoud, “The J2ME Mobile Media

26 <sup>10</sup> Should Samsung attempt to argue that claim 9’s limitation “wherein the music background play object includes an  
27 application module including at least one applet” is infringed under the doctrine of equivalents, such argument must  
28 be barred by prosecution history estoppel. This limitation was added by amendment to overcome prior art, and  
Samsung cannot recapture that claim scope having surrendered it during prosecution. *See Festo*, 535 U.S. at 734.  
*See also* File History for ’711 Patent, Amendment of December 8, 2009.

API.” (“Mahmoud”) (TX 115).) And the claimed features in the ’711 patent are taught by a straightforward combination of prior art patents. (*See, e.g.*, U.S. Pub. App. No. 2003/0236814 to Miyasaka (“Miyasaka”) (TX 92), U.S. Patent No. 6,928,648 to Wong (“Wong”) (TX 91), U.S. Pub. App. No. 2004/0077340 to Forsyth (“Forsyth”) (TX 88).) Thus, the alleged invention is no more than an obvious and predictable combination of old technologies.

**D. No Willful Infringement of the Feature Patents**

Samsung’s allegation that Apple willfully infringed the ’460, ’893 and ’711 patents fails as a matter of law because Apple has multiple strong, independent grounds for non-infringement and invalidity. Samsung will be unable to demonstrate that Apple had the subjective intent to infringe or acted despite an objectively high likelihood that its actions constituted infringement. The record is devoid of any evidence that an “objectively defined risk . . . was either known or so obvious that it should have been known to” Apple, *Seagate*, 497 F.3d at 1371, or that Apple copied the ’460, ’893, or ’711 patents or otherwise had the subjective intent to infringe.

**X. SAMSUNG’S STANDARD-SETTING DECEIT HAS RESULTED IN BREACH OF CONTRACT AND VIOLATIONS OF THE ANTITRUST AND UNFAIR COMPETITION LAWS**

**A. Samsung Has Breached Two Contractual Obligations Critically Important to the 3GPP Standard-Setting Process**

Samsung has breached two contracts critically important to the integrity of the standard setting process of the Third Generation Partnership Project (“3GPP”) for the UMTS standard. First, Samsung breached its contractual duty under the European Telecommunications Standards Institute (“ETSI”) IPR Policy to timely disclose IPR that it now claims is essential to the UMTS standard. This misconduct was part of systematic Samsung corporate efforts to commit standard-setting deceit in order to implant its IPR into the UMTS standard. Second, Samsung breached its contractual obligation to grant licenses on FRAND terms to standard implementers when it refused to offer Apple such a license and sought to enjoin Apple from selling products that support the UMTS standard.

1                               **1. Samsung Repeatedly Breached Its Duty to Timely Disclose IPR**

2               Samsung breached ETSI's IPR Policy because (1) Samsung owned IPR it was obligated to  
3 disclose and (2) Samsung failed to timely disclose that IPR during the UMTS standard-setting  
4 process.<sup>11</sup> ETSI's IPR Policy imposes the following disclosure obligation:

5               Each MEMBER shall use its reasonable endeavours to timely inform ETSI of  
6 ESSENTIAL IPRs it becomes aware of. In particular, a MEMBER submitting a  
7 technical proposal for a STANDARD shall, on a bona fide basis, draw the  
8 attention of ETSI to any of that MEMBER's IPR which might be ESSENTIAL if  
9 that proposal is adopted.

10           See Apple Ex. 74, ETSI IPR Policy Cl. 4.1. When Samsung submitted a technical proposal, the  
11 plain language of the second sentence of Clause 4.1 required disclosure of Samsung's IPR *before*  
12 the standard was frozen (and therefore while standard-setting participants were still able to  
13 consider IPR claims in determining whether to standardize a given technology). Samsung's '516  
14 and '941 patents cover technology it proposed and now claims has been standardized as part of  
15 the UMTS. Accordingly, Samsung was plainly required to disclose those patents before the  
16 standard was frozen; otherwise the requirement particularized in the second sentence—disclosure  
17 of IPR that *might* be essential *if that proposal is adopted*—would make no sense.

18           Samsung's non-disclosure was pervasive and deliberate. Named inventors of the '941 and  
19 '516 patents attended the relevant working group meetings shortly after filing patent applications  
20 in Korea. Notwithstanding that the chairperson began each working group meeting at 3GPP by  
21 admonishing participants that they must comply with their duty to timely disclose IPR that might  
22 be essential to a technical proposal under consideration, the named inventors sat silent. Although  
23 Samsung's IPR related to the technology Samsung proposed for adoption, Samsung employees  
24 with actual knowledge of that fact intentionally failed to disclose in breach of Clause 4.1.  
25 Samsung's failure to disclose positioned Samsung to hold up Apple (and the industry) by  
26 threatening to obtain an injunction against its sales of UMTS-compliant products, thereby injuring

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27           <sup>11</sup> Samsung concedes that it is and has been at all relevant times a member of ETSI. Samsung is therefore  
28 contractually bound by the ETSI IPR Policy, and Apple is entitled to enforce it as a member of ETSI and a third party  
beneficiary. See Samsung's Answer to Apple's Counterclaims in Reply at ¶ 45; *Apple Inc. v. Samsung Elecs. Co.*  
*Ltd.*, No. 11-CV-01846 (N.D. Cal. May 14, 2012) ("May 14 Order") at 17 ("Under French law, a contract may be  
created between the association and its members, and among members of the association...[A] third party beneficiary  
may sue to enforce the execution of a contract.") (citations omitted).



1 Apple. Moreover, this purposeful concealment of IPR during the standard setting deliberations  
2 was pursuant to Samsung corporate practice that such IPR should not be disclosed until after the  
3 standard was frozen. Samsung has sought to justify this practice by arguing that one cannot know  
4 for certain if IPR is involved in the standard until after the standard is set, but this excuse  
5 disintegrates in the face of an ETSI requirement to disclose, before standard adoption, any IPR  
6 which “might be essential.”

## 7 **2. Samsung Breached its Duty to Grant FRAND Licenses**

8 Samsung also flagrantly breached its FRAND commitments to ETSI and its members  
9 (including Apple). Samsung made a general FRAND commitment on December 14, 1998 and  
10 specific FRAND commitments for the two asserted declared-essential patents on May 16, 2006  
11 and August 7, 2007, respectively. Samsung has breached its FRAND commitments by seeking to  
12 enjoin Apple from selling products that support the UMTS standard and by refusing to offer  
13 Apple a license to declared-essential patents on FRAND terms.

14 ETSI’s IPR Policy and Samsung’s FRAND commitments prohibited Samsung from  
15 seeking injunctions or refusing to offer licenses on FRAND terms. Samsung admits, as it must,  
16 that its declared-essential patents are subject to FRAND obligations. Samsung’s demands for a  
17 [REDACTED] is unfair, unreasonable, and  
18 discriminatory.

19 *First*, Samsung’s royalty demand is inconsistent with its own and other UMTS declared-  
20 essential patent holders’ licensing practices. It has never sought or received a [REDACTED]  
21 royalty from any licensee, and indeed cannot even explain where that number came from.

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED] In addition, Samsung’s royalty demands are multiple times  
26 more than Apple has paid any other patentees for licenses to their declared-essential patent  
27 portfolios.

28



1           *Second*, [REDACTED] is  
2           exorbitant and non-FRAND on its face. Based on the average selling price of the iPhone, the  
3           royalty that Samsung demands would equal [REDACTED] the price of a  
4           baseband chipset—the only component of Apple’s products, if any, that employs UMTS  
5           technology. Moreover, based on Samsung’s proportionate share of all patents that have been  
6           declared essential to the UMTS standard (about 5.4%), if all holders of declared-essential patents  
7           were to take the abusive position Samsung asserts, total royalties on the iPhone would be  
8           [REDACTED] the baseband chipset price.

9           *Third*, Samsung’s positions here are all the more remarkable, given that it has taken  
10          diametrically opposite positions in other litigations, when the shoe was on the other foot and it  
11          was seeking a FRAND license to UMTS declared-essential patents. As to royalty rate, Samsung  
12          has stated that [REDACTED]

13         [REDACTED]  
14         [REDACTED]  
15         [REDACTED]  
16         [REDACTED] Here, Samsung is advocating a royalty that is equivalent to nearly 50% of the entire  
17         selling price of Apple products. As to royalty base, while Samsung now seeks to tax the entire  
18         sales price of Apple’s products, it has previously advocated for a royalty on far less than the full  
19         sales price of its products on the grounds that wireless handsets [REDACTED]

20         [REDACTED]  
21         [REDACTED]  
22         [REDACTED], Samsung seeks to enjoy the sales of Apple’s products  
23         based on its FRAND-committed patents. But Samsung previously unequivocally recognized that  
24         injunctions are unavailable on patents covered by FRAND commitments: [REDACTED]

25         [REDACTED]  
26         [REDACTED]  
27         [REDACTED]  
28         [REDACTED]

1 [REDACTED] By exploiting its declared-essential patents to hold-up Apple for either  
 2 excessive royalties or a coerced license to Apple's differentiating patents instead of negotiating a  
 3 license in good faith, Samsung has harmed Apple, forcing it to expend significant resources  
 4 defending against Samsung's improper claims.

5 **B. Samsung Has Violated The Antitrust Laws By Its Standard-Setting**  
 6 **Misconduct**

7 Samsung's standard-setting deceit has enabled Samsung to illegally monopolize relevant  
 8 technologies markets, in violation of Section 2 of the Sherman Act.<sup>12</sup> *See Apple Inc. v. Samsung*  
 9 *Elecs. Co. Ltd.*, No. 11-CV-01846 (N.D. Cal. May 14, 2012) ("May 14 Order") (holding that  
 10 Apple sufficiently alleged monopolization); *Apple Inc. v. Samsung Elecs. Co. Ltd.*, No. 11-CV-  
 11 01846 (N.D. Cal. Oct. 18, 2011) ("Oct. 18 Order") (same). Specifically, Samsung (1)  
 12 deliberately and dishonestly failed to timely disclose IPRs it now claims cover technologies  
 13 incorporated into the UMTS standard and (2) falsely promised to license its declared essential  
 14 patents to all UMTS implementers on FRAND terms. Samsung sought to wield this ill-gotten  
 15 monopoly power to illegally and abusively hold up Apple for exorbitant royalties and to coerce  
 16 Apple to license to Samsung Apple's differentiating patents covering the distinctive functions and  
 17 designs that distinguish its products in the marketplace.

18 Samsung has illicitly gained and wrongfully employed monopoly power in each of the  
 19 relevant technology markets—power control scaling technology and Voice-Over-Internet-  
 20 Protocol ("VOIP") header technology. Each of these markets includes both a technology that  
 21 Samsung claims is covered by one of its asserted declared-essential patents and technologies that  
 22 were reasonable substitutes for that technology pre-standardization. Through its standard-setting  
 23 deceit, Samsung illegally excluded competition and acquired monopoly power in each of these  
 24 markets. As noted in the breach of contract section above, Samsung deliberately violated the

25 \_\_\_\_\_  
 26 <sup>12</sup> By violating Section 2 of the Sherman Act, Samsung has also violated the California Unfair Competition Law,  
 27 which is broader. *See* Cal. Bus. & Prof. Code § 17200 et seq.; *Cel-Tech Communications v. LA Cellular*, 973 P.2d  
 28 527, 561, 566 (Cal. 1999) (holding that violations of other laws constitute violations of the "unlawful" part of the  
 UCL, and that a business practice is unfair under the UCL if it "threatens an incipient violation of an antitrust law, or  
 violates the policy or spirit of one of those laws because its effects are comparable to or the same as a violation of the  
 law, or otherwise significantly threatens or harms competition.").

ETSI IPR policy by concealing known patent rights in connection with proposals under consideration for standardization by ETSI, and falsely promising that any declared essential patent would be licensed to all comers on FRAND terms. Instead, Samsung abused its wrongfully obtained monopoly power by refusing to offer Apple FRAND license terms and seeking to enjoin Apple from practicing the UMTS standard. In the standard-setting context, a firm willfully, and anti-competitively, acquires monopoly power when it “‘intentionally [and] false[ly] promises to license essential proprietary technology on FRAND terms,’” the standard setting organization “‘reli[es] on that promise when including the technology in the standard, and [] the patent holder[] subsequent[ly] breach[es] . . . that promise . . . .”’ *Apple*, May 14 Order at 10 (quoting *Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297, 314 (3d Cir. 2007)).

Last, Apple has suffered antitrust damages as a direct result of Samsung’s exclusionary conduct. *See Apple Inc. v. Samsung Elecs. Co. Ltd.*, No. 11-CV-01846, slip op. of June 30, 2012, at 40 (“because Apple has alleged patent holdup stemming from Samsung’s failure to disclose essential patents to ETSI and Samsung’s failure to license on FRAND terms, and because Apple’s litigation costs stem directly from Samsung’s alleged anticompetitive behavior, these litigation costs are a sufficient basis for a potential award of antitrust damages”).

## **XI. SAMSUNG’S CLAIMED DAMAGES ARE EXCESSIVE AND UNSUPPORTED**

### **A. To The Extent That Samsung Is Entitled To Any Remedy, its FRAND Damages Cannot Exceed \$0.0049 Per Unit for Each Infringed Patent**

If Apple is found liable for infringement of either of the two asserted declared-essential patents, Samsung’s royalty should not exceed its proportional share of reasonable aggregate royalties for all IPR declared essential to the UMTS standard, applied to an appropriate royalty base. Samsung’s declared-essential patents represent only a small portion of the total set of declared essential UMTS patents—around 5.45%.<sup>13</sup> Thus, even apart from its use of an inappropriate base, [REDACTED] which represents almost [REDACTED] what Samsung has said should be the entire aggregate royalty for all UMTS technologies.

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<sup>13</sup> *See* Fairfield Resources International, “Review of Patents Declared as Essential to WCDMA Through December 2008” (Jan. 6, 2009) (Samsung holds 103 of 1889 declared-essential patent families).

1 Equally important, the appropriate rate should not be applied to the sales price of the iPhone or  
2 iPad, which contain computer and application functionality far beyond simple UMTS wireless  
3 phone technology. Rather, the royalty should be applied to a base equal to the price of the  
4 baseband processor, the smallest priceable unit containing the accused functionality. See Federal  
5 Trade Commission, *The Evolving IP Marketplace* at 212 (“The practical difficulty of identifying  
6 a royalty rate that accurately reflects the invention’s contribution to a much larger, complex  
7 product often counsels toward choosing the smallest priceable component that incorporates the  
8 inventive feature.”) (Mar. 2011); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336–39  
9 (Fed. Cir. 2009) (holding royalty based on sales of the infringing product inappropriate where the  
10 rate does not “account[] for the proportion of the base represented by the infringing component or  
11 feature.”); *Cornell Univ. v. Hewlett-Packard Co.*, 609 F. Supp. 2d. 279, 288 (N.D.N.Y. 2009)  
12 (selecting a processor as the royalty base where it was the smallest priceable unit). Apple will  
13 show that Samsung’s contention that the appropriate royalty base is the average selling price of an  
14 iPhone or iPad is inconsistent with Samsung’s FRAND obligations, as Samsung itself has  
15 acknowledged in past litigation:

16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]

20 [REDACTED]  
21 [REDACTED]

22 [REDACTED]

23 [REDACTED]  
24 [REDACTED]

25 [REDACTED]

26 [REDACTED]

27 In determining the rate to apply to the royalty base, the jury must take into account  
28 Samsung’s FRAND commitments. In particular, a FRAND rate must reflect the inherent value of

the patented technology pre-standardization, and cannot take into account value derived from the standardization of the technology. Indeed, a fundamental objective of a FRAND commitment is to ensure that patentees not exploit hold up power derived from the fact that their IPR has been standardized. *See Apple, Inc. v. Motorola, Inc.*, No. 1:11-cv-08540 (N.D. Ill. June 22, 2012), ECF No. 1038, slip op. at 18 (Posner, J., sitting by designation) (“The purpose of the FRAND requirements . . . is to confine the patentee’s royalty demand to the value conferred by the patent itself as distinct from the additional value—the hold-up value—conferred by the patent’s being designated as standard-essential.”). Moreover, Apple’s calculation of a FRAND rate—unlike Samsung’s—appropriately considers the cumulative impact of royalties to avoid “royalty stacking,” *i.e.*, an excessive aggregate royalty burden on the selling price of Apple’s standard-compliant products. In addition, by virtue of its FRAND commitment, Samsung cannot be entitled to an injunction, even if assuming (erroneously) it could otherwise satisfy the four-part eBay standard. *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). As Judge Posner recently explained in holding that injunctions are unavailable on FRAND-committed patents (at least absent extraordinary circumstances not present here):

By committing to license its patents on FRAND terms, Motorola committed to license [its declared-essential patent] to anyone willing to pay a FRAND royalty and thus implicitly acknowledged that a royalty is adequate compensation for a license to use that patent. How could it do otherwise? How could it be permitted to enjoin Apple from using an invention that it contends Apple must use if it wants to make a cell phone with UMTS telecommunications capability – without which it would not be a cell *phone*.

*Apple, Inc. v. Motorola, Inc.*, No. 1:11-cv-08540, slip op. of June 22, 2012, at 18–19 (emphasis in original) (“*Motorola*”).

At bottom, as Samsung has conceded in prior litigation, having made a FRAND commitment, Samsung could never show that damages (*i.e.*, FRAND royalties) are inadequate compensation for practicing its patents—a pre-requisite under the eBay standard, *see eBay Inc.*, 547 U.S. at 391. As Judge Posner held: “A FRAND royalty would provide all the relief to which [the patentee] would be entitled if it proved infringement . . . and thus it is not entitled to an injunction.” *Motorola*, slip. op. at 21. Similarly, having told anyone that wishes to implement the relevant standard that they may practice its declared-essential patents in return for FRAND

royalties, Samsung cannot reasonably contend that it would be “irreparably harmed” by others practicing the patents—which is another pre-requisite to an injunction under *eBay*. See *eBay Inc.*, 547 U.S. at 391. Samsung’s proper remedy for any finding of infringement of its declared-essential patents is a FRAND royalty—the remedy it agreed to accept when it made its FRAND commitment.

**B. The Royalty Damages Sought by Samsung on The ‘460, ‘711, and ‘893 Patents Are The Product of Flawed Methodology and Are Overstated**

Samsung seeks reasonable royalty damages for alleged infringement of the ‘460, ‘711, and ‘893 patents. No lost profits damages are sought. Dr. Vincent O’Brien, Samsung’s damages expert, opines that total damages [REDACTED]

Apple will prove that Dr. O’Brien’s damages methodology is fundamentally flawed and incapable of producing reliable royalty damages. Dr. O’Brien’s entire damages framework is built upon an [REDACTED]

[REDACTED] Among the many flaws in Dr. O’Brien’s methodology are the following:

First, there is no support for [REDACTED] but functions built into the accused devices. [REDACTED]

[REDACTED] have generated only several hundred

1 downloads. Given such minimal demand, it makes no economic sense [REDACTED]

2 [REDACTED]  
3 Second, [REDACTED]  
4 [REDACTED]. Samsung cannot point to a single patent license negotiation where such a split was  
5 proposed, let alone agreed upon.

6 Finally, [REDACTED]  
7 [REDACTED], but the survey results are flawed and unreliable for a variety of reasons. Dr.

8 Sukumar [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]

12 [REDACTED] *See Apple, Inc. v. Motorola, Inc.*, 2012 WL 1959560, at \*5 (N.D. Ill. May 22,  
13 2012), No. 11–cv–08540 (indicating that frequency of usage of the patented feature is a relevant  
14 factor that should be included in a survey supporting a damages calculation). Dr. O’Brien’s  
15 damages formula fails to calculate a reasonable royalty tied to the economic value of the three  
16 Samsung non standards-essential patents and is unsupported and unreliable.

17 **XII. APPLE’S SUMMARY EXHIBITS COMPLY WITH FEDERAL RULE OF**  
18 **EVIDENCE 1006**

19 Apple’s trial exhibits include summaries of evidence on matters such as financial data,  
20 media coverage of the iPhone, and meeting minutes. Federal Rule of Evidence 1006 authorizes  
21 these summary exhibits. It states that “[t]he contents of voluminous writings, recordings, or  
22 photographs which cannot conveniently be examined in court may be presented in the form of a  
23 chart, summary, or calculation,” provided that the underlying evidence is “made available for  
24 examination or copying, or both, by other parties at reasonable time and place.” Fed. R. Evid.  
25 1006.

26 Consistent with this rule, Apple’s exhibits accurately summarize voluminous underlying  
27 evidence on a specific issue, which can be more efficiently presented in summary form than  
28 through numerous separate documents directed to the same point. Samsung has *not* argued that



1 Apple's summaries are inaccurate or that Samsung does not have access to the underlying  
 2 evidence. Rather, Samsung has suggested that Rule 1006 is directed solely to financial or  
 3 mathematical data. (July 18, 2012 Hearing Tr. at 47-48; Dkt. No. 1236-4 at 3).

4 Nothing in Rule 1006 or the case law limits its application to these specific types of  
 5 information. The plain language of the rule itself, which references photographs, proves  
 6 Samsung wrong. And courts regularly admit a wide range of evidence under Rule 1006. In  
 7 *United States v. Morin*, 627 F.3d 985, 997-98 (5th Cir. 2010), the court admitted a Rule 1006  
 8 summary of video excerpts from 16 different security cameras, explaining that the video evidence  
 9 "was sufficiently voluminous and complex for the district court to allow . . . testimony  
 10 summarizing the video." Courts have also admitted Rule 1006 summaries of telephone  
 11 conversation recordings (*United States v. Francis*, 131 F.3d 1452, 1457 (11th Cir. 1997)), survey  
 12 data (*Mehus v. Emporia State Univ.*, 222 F.R.D. 455, 461 (D. Kan. 2004); *Keith v. Volpe*, 618 F.  
 13 Supp. 1132, 1161 (C.D. Cal. 1985)), and comparison infomercials (*Miracle Blade, LLC v.*  
 14 *Ebrands Commerce Group, LLC*, 207 F. Supp. 2d 1136, 1146 (D. Nev. 2002)). "The purpose of  
 15 Rule 1006 is to allow the use of summaries when the documents are unmanageable or when the  
 16 summaries would be useful to the judge and jury." *United States v. Rizk*, 660 F.3d 1125, 1130  
 17 (9th Cir. 2011); *Gales v. Winco Foods*, No. C 09-058913 CRB, 2011 U.S. Dist. LEXIS 96125, at  
 18 \*22 n.9 (N.D. Cal. Aug. 26, 2011) (overruling objection). The Ninth Circuit endorses use of the  
 19 rule when it will "contribute[] to the clarity of the presentation to the jury" and "avoid[] needless  
 20 consumption of time." *United States v. Gardner*, 611 F.2d 770, 776 (9th Cir. 1980); *see also*  
 21 *United States v. Shirley*, 884 F.2d 1130, 1133 (9th Cir. 1989) (summary evidence can reduce  
 22 unnecessary delay and help jury evaluate "factually complex and fragmentally revealed"  
 23 evidence). These decisions rebut Samsung's cramped view of Rule 1006.

24 Samsung's specific objections to particular exhibits (such as hearsay or relevance) can be  
 25 dealt with during the trial before the specific exhibit is presented. In the meantime, Apple notes  
 26 several general points.

27 First, as Apple explained at the hearing, Apple is generally relying on the summary Rule  
 28 1006 exhibit, and not the underlying documents. In limited situations where Apple may present



1 the underlying document as an exhibit, Apple has also designated that document as a separate  
2 exhibit.

3 Second, several of Apple's Rule 1006 exhibits were attachments to an expert report or  
4 summarize evidence that the expert identified and relied on in his or her report as to a specific  
5 issue. This is a proper use of Rule 1006.

6 Third, Samsung's assertion that Apple has improperly summarized numerous documents  
7 in a single exhibit is not well-taken. (See Dkt. No. 1236-4 at 1-3.) That is precisely what Rule  
8 1006 allows and encourages. *Union Planters Bank, N.A.*, 273 B.R. 764, 768 (S.D. Ill. 2001).  
9 Ironically, Samsung also objects that the underlying evidence for Apple's Exhibit 123 is *not*  
10 sufficiently voluminous to comply with Rule 1006. (Dkt. No. 1236-4 at 4.) But this exhibit  
11 complies with Rule 1006 because it summarizes over 300 pages of standards-related meeting  
12 minutes, the vast majority of which are irrelevant to this case, into a simple 11-page chart with  
13 relevant excerpts. Where, as here, "the underlying documents were available for inspection by  
14 the defendants," the summary exhibit is "admissible under Fed. R. Evid. 1006." *Phoenix v.*  
15 *Com/Systems, Inc.*, 706 F.2d 1033, 1038 (9th Cir. 1983).

### 16 CONCLUSION

17 In an interview a few weeks ago, Apple's Chief Executive Officer Tim Cook explained  
18 the significance of this case for Apple. "[I]t is important for Apple not to be the developer for the  
19 world," Mr. Cook said. "We just want other people to invent their own stuff."<sup>14</sup>

20 Apple looks forward to a trial that will vindicate its intellectual property rights. Samsung  
21 must play by the rules. It must invent its own stuff. Its flagrant copying and massive  
22 infringement must stop.

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<sup>14</sup> <http://allthingsd.com/20120611/apples-tim-cook-says-hello-the-full-d10-interview-video/>.

1 Dated: July 23, 2012

MORRISON & FOERSTER LLP

2  
3  
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6 APPLE INC.  
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Exhibit A

## iPhone 3G trade dress



- A rectangular product with four evenly rounded corners;
- A flat, clear surface covering the front of the product;
- The appearance of a metallic bezel around the flat, clear surface;
- A display screen under the clear surface;
- Under the clear surface, substantial black borders above and below the display screen and narrower black borders on either side of the screen;
- When the device is on, a row of small dots on the display screen;
- When the device is on, a matrix of colorful square icons with evenly rounded corners within the display screen; and
- When the device is on, a bottom dock of colorful square icons with evenly rounded corners set off from the other icons in the display, which does not change as other pages of the user interface are viewed.

## **Combination iPhone trade dress (iPhone / iPhone 3G / iPhone 4)**



- A rectangular product with four evenly rounded corners;
- A flat, clear surface covering the front of the product;
- A display screen under the clear surface;
- Under the clear surface, substantial neutral (black or white) borders above and below the display screen and narrower neutral borders on either side of the screen;
- When the device is on, a matrix of colorful square icons with evenly rounded corners within the display screen; and
- When the device is on, a bottom dock of colorful square icons with evenly rounded corners set off from the other icons in the display, which does not change as other pages of the user interface are viewed.

## **iPad/iPad 2 trade dress**



- A rectangular product with four evenly rounded corners;
- A flat clear surface covering the front of the product;
- The appearance of a metallic rim around the flat clear surface;
- A display screen under the clear surface;
- Under the clear surface, substantial neutral (black or white) borders on all sides of the display screen;
- When the device is on, a matrix of colorful square icons with evenly rounded corners within the display screen.